

# Climate Change and the Regional Greenhouse Gas Initiative (RGGI)

*Business Council*

*2008 Annual Industry-Environment Conference*

*October 16, 2008*



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# What is RGGI?

- Cooperative effort by 10 States to limit greenhouse gas emissions
- First mandatory, market-based CO<sub>2</sub> emissions reduction program in the U.S.
- Cap-and-trade approach that will require a 10 percent reduction in region wide CO<sub>2</sub> emissions from power plants by 2018



# History of RGGI

- **April 2003** - Governor Pataki invites neighboring states to develop a regional program
- **2003-2005** – Design Process - Extensive stakeholder meetings and collaboration amongst state staff
- **December 2005** – Governors sign Memorandum of Understanding (MOU), outlining the general framework
- **March 2006** – Initial Draft Model Rule is released by the states for public comment and hearings
- **August 2006** – Final Model Rule is published, providing the basis for each individual state's program
- **2006-2008** – Individual states conduct their own rulemaking processes to implement RGGI
- **September 25, 2008** – First CO<sub>2</sub> Allowance Auction



# RGGI States



- **RGGI Participating States:** CT, DE, MA, MD, ME, NH, NJ, NY, RI, VT
- **RGGI Observers:** Quebec and Ontario

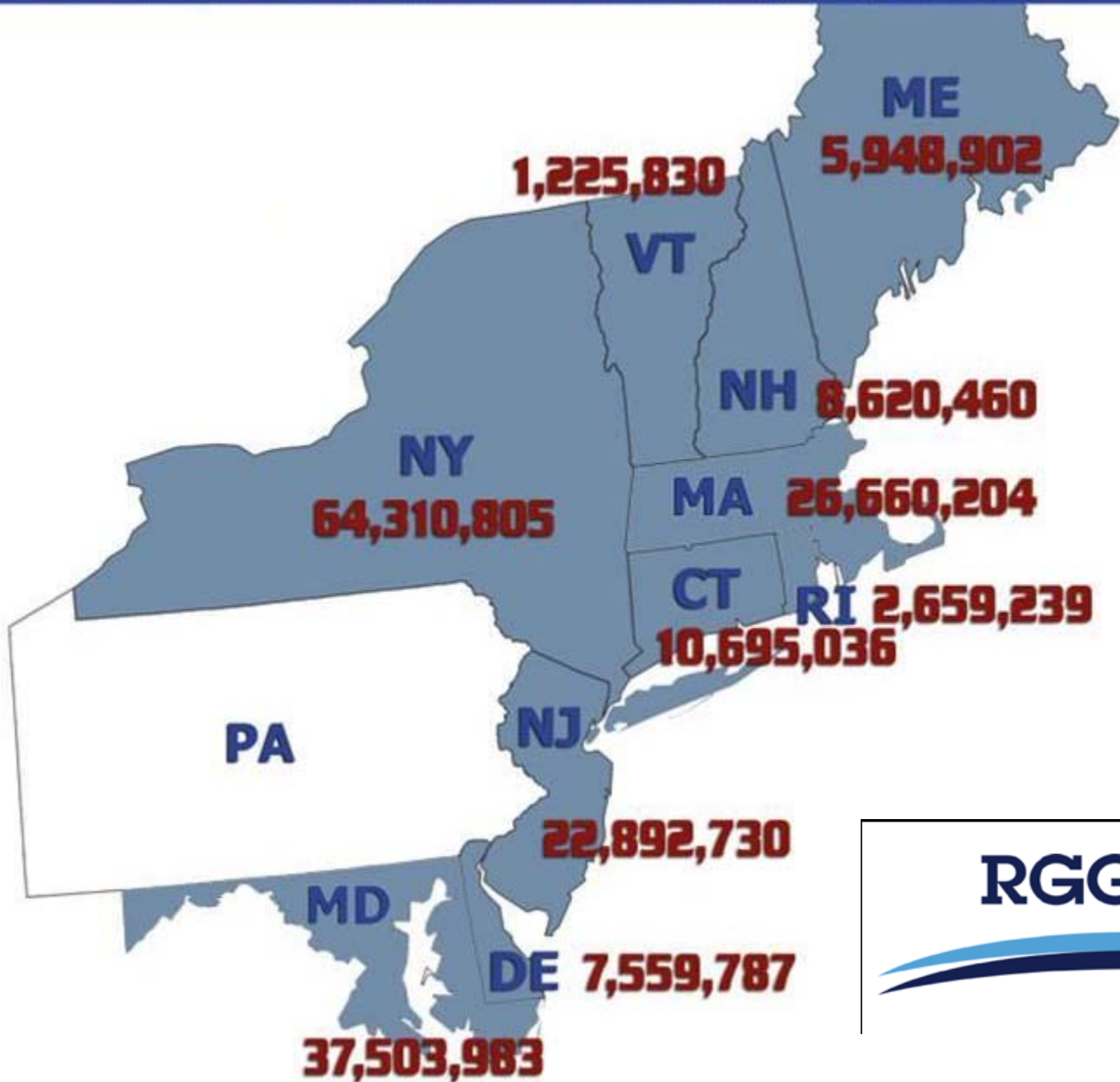


# How RGGI Works

- RGGI regional cap of 188,076,976 tons establishes the limit of regional power plant CO<sub>2</sub> emissions
- Each state issues CO<sub>2</sub> allowances in a number equivalent to its portion of the regional cap
- States distribute allowances primarily through regional auctions
- Allowances can be traded on the secondary market
- Each source must “cover” its actual emissions with allowances at the end of the three year compliance period
- Cap remains constant through 2014, then decreases 2.5% each year through 2018, for a total reduction of 10%



**TOTAL REGIONAL EMISSIONS CAP: 188,076,976 TONS**



**RGGI Inc.**



# RGGI Organizational Makeup

- RGGI is made up of individual CO<sub>2</sub> Budget Trading Programs in each of the 10 participating states, including NY
- RGGI, Inc. is an independent nonprofit corporation that provides technical and administrative services to the 10 participating states



# New York's Implementation of RGGI

New York has implemented RGGI through:

- DEC's promulgation of 6 NYCRR Part 242, CO<sub>2</sub> Budget Trading Program
  - Published in the New York State Register on September 24, 2008
  - Became effective October 9, 2008
- NYSERDA's promulgation of 21 NYCRR Part 507, CO<sub>2</sub> Allowance Auction Program
  - Published in the New York State Register and became effective on October 8, 2008



# Background of New York's Regulatory Process

- New York-specific stakeholder process to supplement the regional stakeholder process
- **December 2006** – Pre-Proposal draft released for public comment and hearings
- **October 2007** – Formal Proposal released for public comment and hearings
- **May 2008** – Revised Proposal released for public comment and hearings
- **October 2008** – Rules become effective



# 6 NYCRR Part 242

## Applicability

- Applicable to all fossil fuel-fired electric generating units 25 MW or larger
- “Behind-the-Meter” Exemption available for a unit that supplies 10% or less of its electrical output to the grid
  - Must accept this limit as an enforceable permit condition



# 6 NYCRR Part 242

## Compliance Requirements

- **Start Date** – Compliance obligations begin January 1, 2009
- **Permit** – Each unit must have a permit that requires the source to comply with the requirements of the program
- **Allowance “True-Up”** – Each source must cover its CO<sub>2</sub> emissions over the three year control period with CO<sub>2</sub> allowances in its Compliance Account at the “True-Up” deadline
- Emissions Monitoring, Reporting, and Recordkeeping



# 6 NYCRR Part 242

## Flexibility

- **Early Reduction Allowances (ERAs)** – DEC may award ERAs for CO<sub>2</sub> emissions reductions made during 2006, 2007, and 2008
- **Long-Term Contract (LTC) Set-Aside** – 1,500,000 tons for generators under LTCs that can demonstrate program causes a financial hardship
- **Offsets** – may be used for a limited portion of allowance “true-up”
- **Three Year Compliance Period** – Subject to extension to four years
- **Fully Fungible Allowances** – power plants can use allowances issued by any of the ten participating states to demonstrate compliance with 6 NYCRR Part 242



# 6 NYCRR Part 242

## Use of Offsets

- Acceptable project types
  - Landfill methane ( $\text{CH}_4$ ) capture and destruction
  - Reduction in emissions of sulfur hexafluoride ( $\text{SF}_6$ ) - gas leak prevention
  - Sequestration of carbon due to afforestation – conversion of land to forest
  - End-use energy efficiency projects
  - Agricultural methane capture
- Limits on use of offset allowances at “true-up”
  - Up to 3.3% of a source’s emissions
    - raises to 5% if allowance price is \$7 or more, and
    - 10% if allowance price is \$10 or more



# Results from First RGGI Auction

- All 12,565,387 allowances offered for sale by CT, MA, MD, ME, RI, and VT were sold
- Clearing price of \$3.07 per allowance
- 59 participants from the energy, financial and environmental sectors
- 51,761,000 allowances demanded (four times available supply)
- Proceeds from all auctions will be used for energy efficiency and renewable energy technologies, and programs to benefit energy consumers

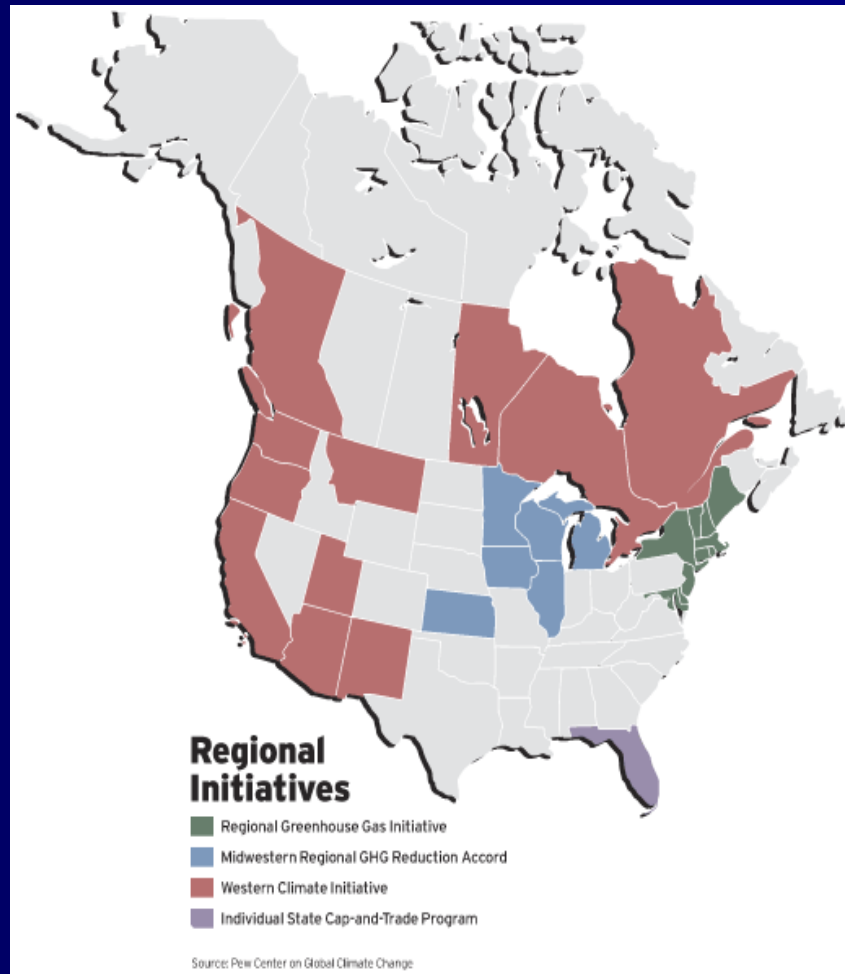


# Key Future RGGI Dates

- December 17, 2008: Second Pre-Compliance CO<sub>2</sub> Allowance Auction
  - Subsequent auctions will be held quarterly
- January 1, 2009: Compliance obligations begin for regulated entities (fossil fuel-fired power plants > 25 MW)
- March 1, 2012: First compliance true-up deadline for generators



# RGGI and Other Regional Greenhouse Gas Programs



- Other regional initiatives to combat climate change are still in the design and planning stages
- Future cap-and-trade programs will benefit from the experience of RGGI
- Programs will cover sectors beyond just electric generation

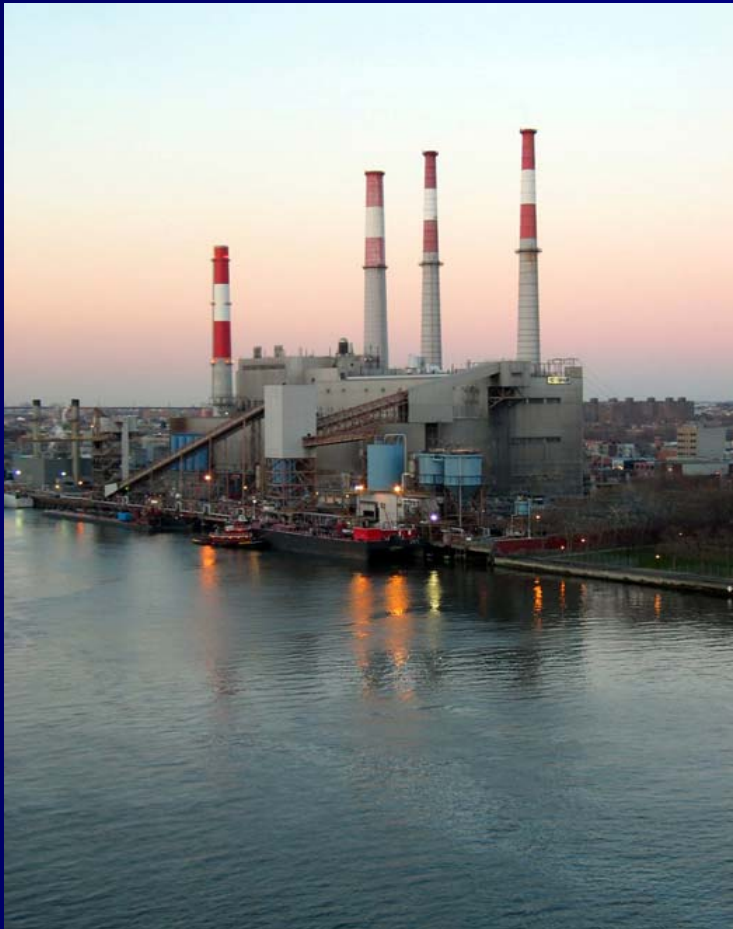


# Possibilities for the Future

- Expanding RGGI beyond just the electric generating sector
- Integration of the various regional cap-and-trade programs
- Regulation by the U.S. EPA under the Clean Air Act (ANPR and Massachusetts v. EPA)
- Comprehensive federal legislation, including a mandatory federal cap-and-trade program for greenhouse gases



# Climate Change and RGGI



For more information about RGGI, visit [www.rggi.org](http://www.rggi.org)

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