

# THE REGIONAL GREENHOUSE GAS INITIATIVE

An Initiative of the Northeast and Mid-Atlantic States of the U.S.

## The Regional Greenhouse Gas Initiative *Moving Forward*

David Littell

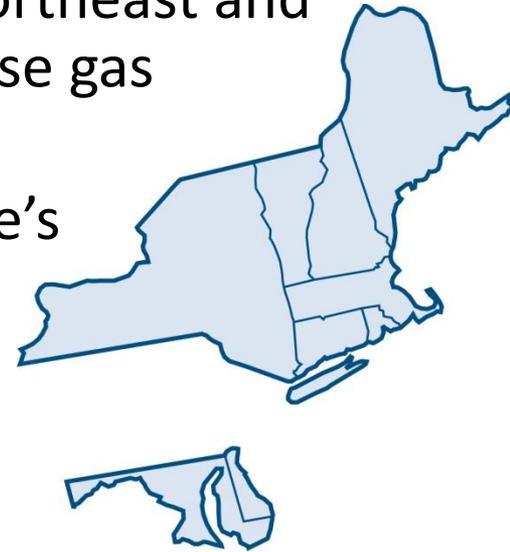
Commissioner, Maine Public Utilities Commission

[www.rggi.org](http://www.rggi.org)



## RGGI in Brief

- RGGI is a collaborative effort by participating Northeast and Mid-Atlantic states to cap and reduce greenhouse gas emissions from the power sector
- Mandatory program adopted through each state's independent legal authority
- Requires all power plants above 25 MW to hold one RGGI allowance for each ton of CO<sub>2</sub> emitted
- Quarterly allowance auctions are an effective market-based mechanism for allowance distribution
- Allowance proceeds are re-invested in energy efficiency, the development of low-carbon energy sources, direct bill assistance, and other abatement strategies



# RGGI: Efficient Market-Based System

- Compliance entities and their affiliates hold 97 percent of all allowances in circulation
- No evidence of anti-competitive conduct
- 14 quarterly auctions held since Sept. 2008
  - 393,246,119 first control period (2009-2011) allowances sold
  - 17,920,296 second control period (2012-2014) allowances sold
  - \$952 million in total proceeds
- Average price for all allowances sold at auction is \$2.33
- First control period allowances clearing price as high as \$3.51
- However, supply has exceeded demand in 5 of the past 6 auctions with the clearing price at the reserve price of ~\$1.89



# Sound Policy, Smart Economics

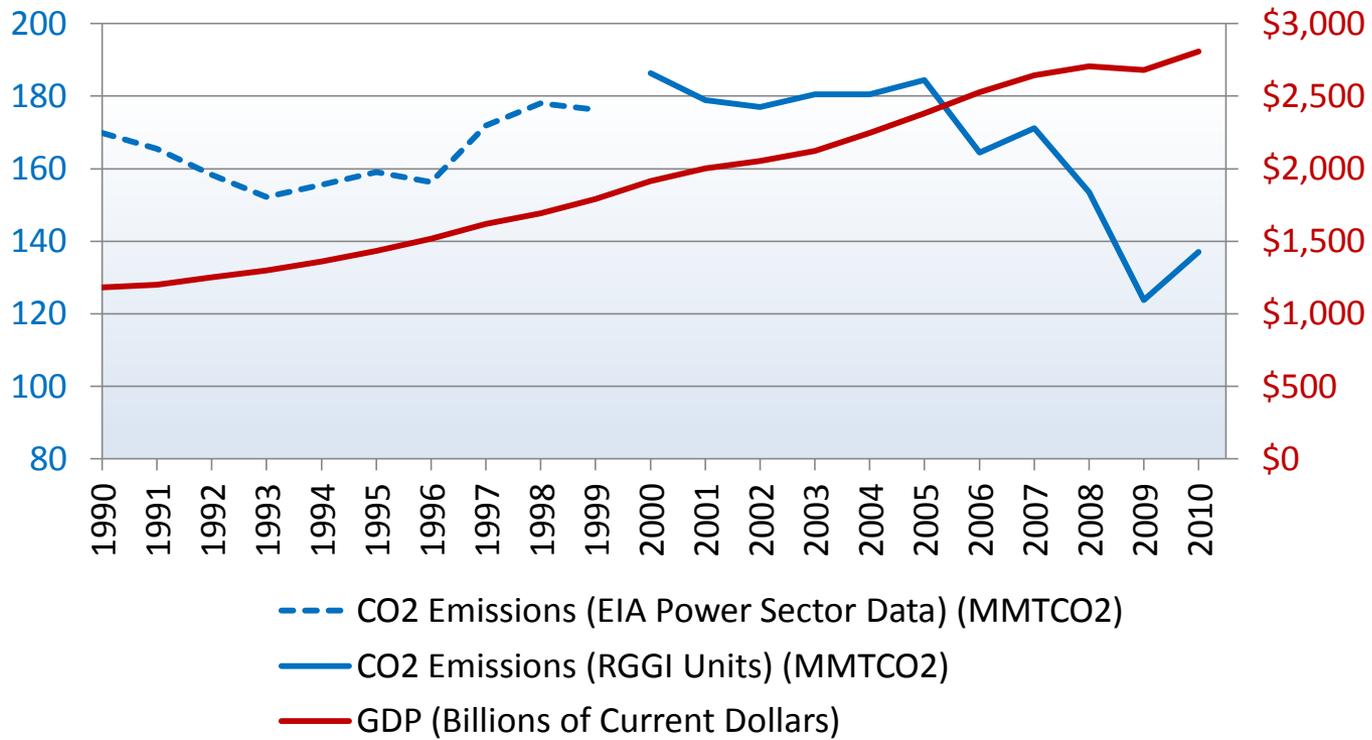


- GHG emissions capped and reduced 10% by 2018
- Power sector CO<sub>2</sub> emissions in the RGGI region have declined 35% since 2005



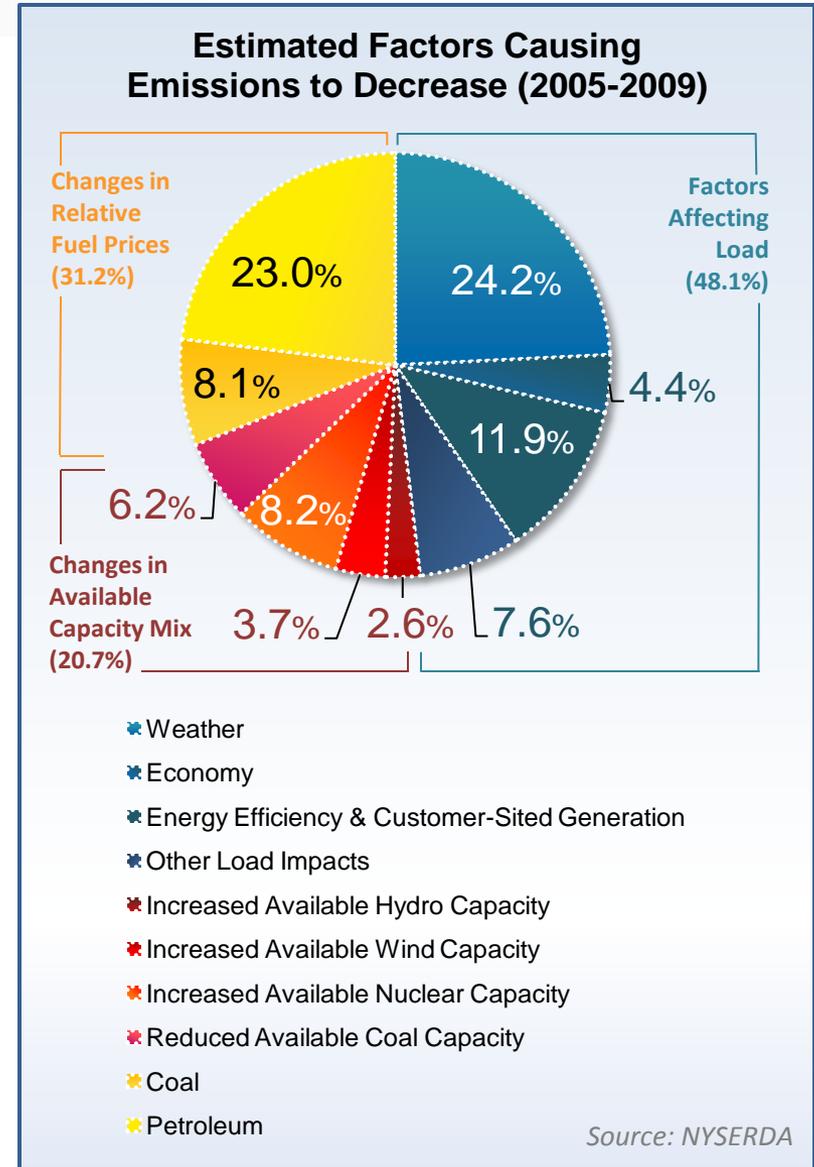
# RGGI-Region Power Sector CO<sub>2</sub> Emissions

## RGGI Region CO<sub>2</sub> Emissions and State GDP



# Causes of Emissions Reductions

- Simple snapshot comparing 2005 to 2009 found:
  - Only 4.4% of the drop was attributable to the economic slowdown
  - 12% was due to Energy Efficiency
  - 52% was due to changes in capacity mix and relative fuel prices
  
- According to the U.S. EIA, the proportion of electric energy generated by coal and oil in the RGGI region has declined by nearly 50% since 2005





- Efficiency investments deliver \$2 - \$4 in benefits for every dollar invested<sup>1</sup>
- Thousands of homeowners and businesses are already participating in RGGI-funded programs
- In New England alone, RGGI is putting nearly \$800 million back into the pockets of ratepayers after only three years of operation<sup>2</sup>



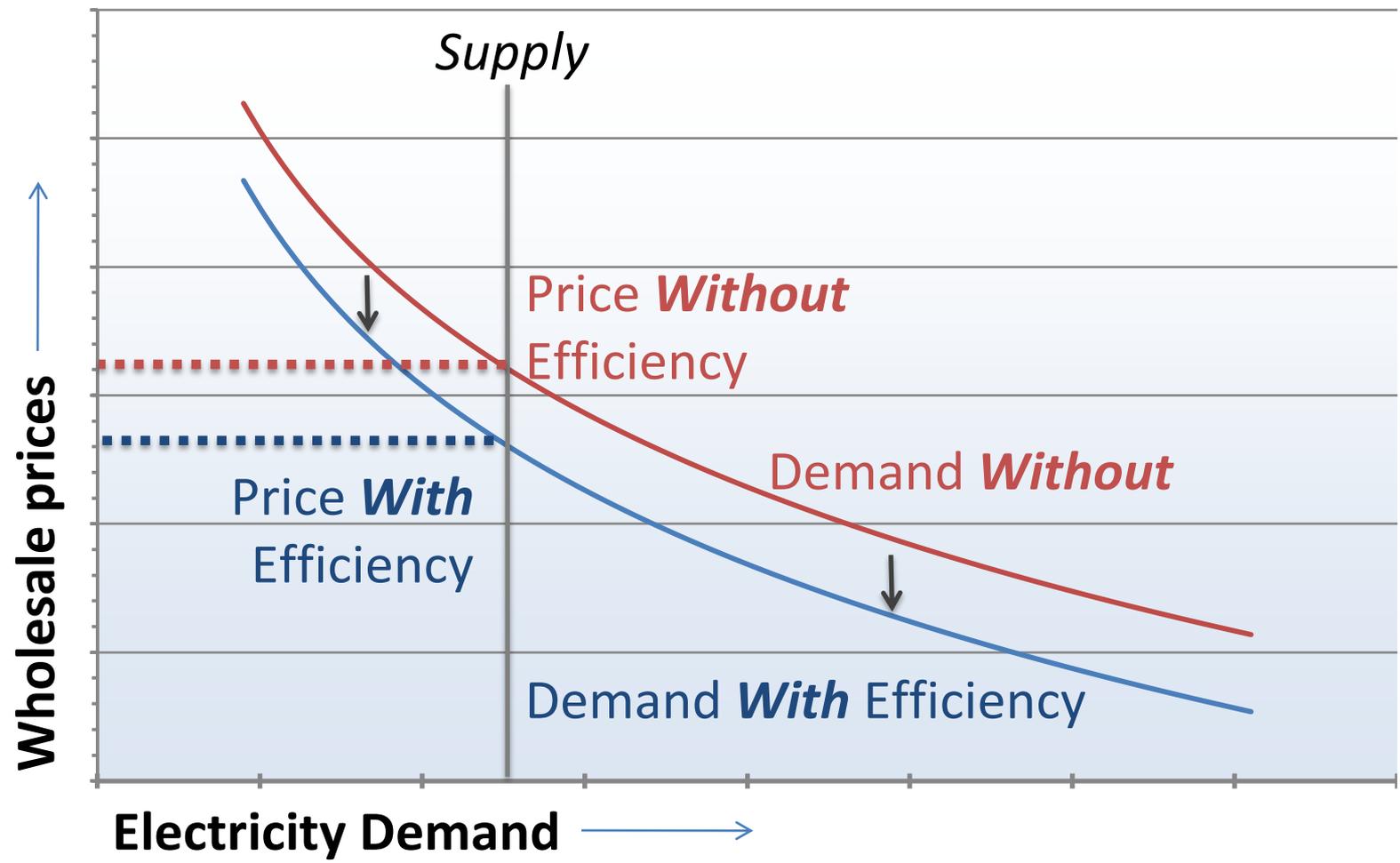
# Sound Policy, Smart Economics



- 10 jobs in construction, as well as additional jobs in design and manufacturing for every \$1 million invested in building retrofits
- \$4 - \$5 in benefits for every dollar invested in renewable energy\*
- Making New England industry and businesses more competitive by reducing energy costs

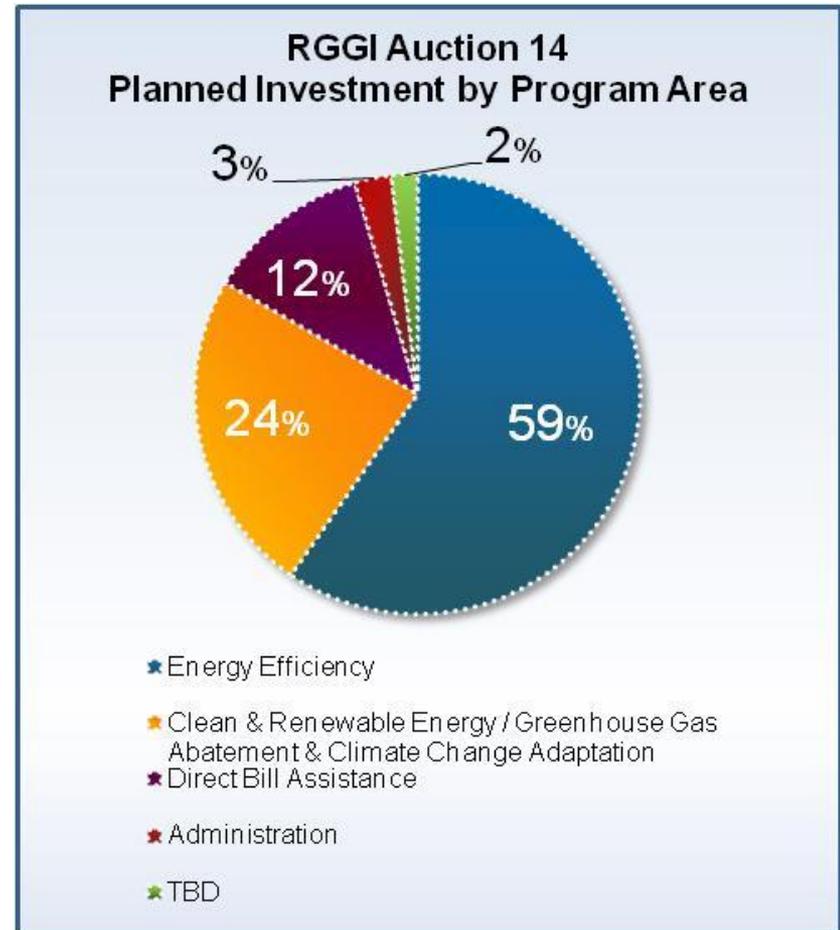


# Investments in Action



# RGGI Driving Investment

- States are investing more than \$700 million in a broad range of energy efficiency, low-carbon fuels, and direct bill assistance programs
  - Focus on supporting local business, helping hard-hit families, and creating jobs
- Reduced overall demand for electricity reduces market price of electricity for all consumers



# RGGI Results: Jobs, Savings, & Value

**1.6** )  
**BILLION**  
in net economic  
benefit to region<sup>1</sup>



**1.3** )  
**BILLION**  
in energy bill  
savings across  
the region<sup>1</sup>

**16** )  
**THOUSAND**  
job-years created<sup>1</sup>



**950** )  
**MILLION**  
reinvested in the  
regional economy





## Maine's Large Projects Grant Program

- 36 grants awarded; 19 funded by RGGI
- 500,000 MWh of electricity saved
- 500,000 tons of CO<sub>2</sub> emissions avoided

*“Power is one of the largest expenses we have, and the ability to produce 25 percent of our electricity will sustain 235 jobs.”*

—Susan Coulombe, Irving Forest Products



# RGGI 2012 Program Review

- Potential modifications to RGGI are under consideration as part of the 2012 program review
- Review is specified in the 2005 RGGI MOU
- Seeking stakeholder input since fall 2010
- Goal to determine:
  - What is working well? What are opportunities for improvement?
  - What should states consider when looking ahead?
  - What issues have stakeholders identified and how best to address those issues moving forward?
- Stakeholder meetings on electricity sector modeling and projected emissions trajectory, offsets, cost containment allowances reserves, electricity imports from other regions

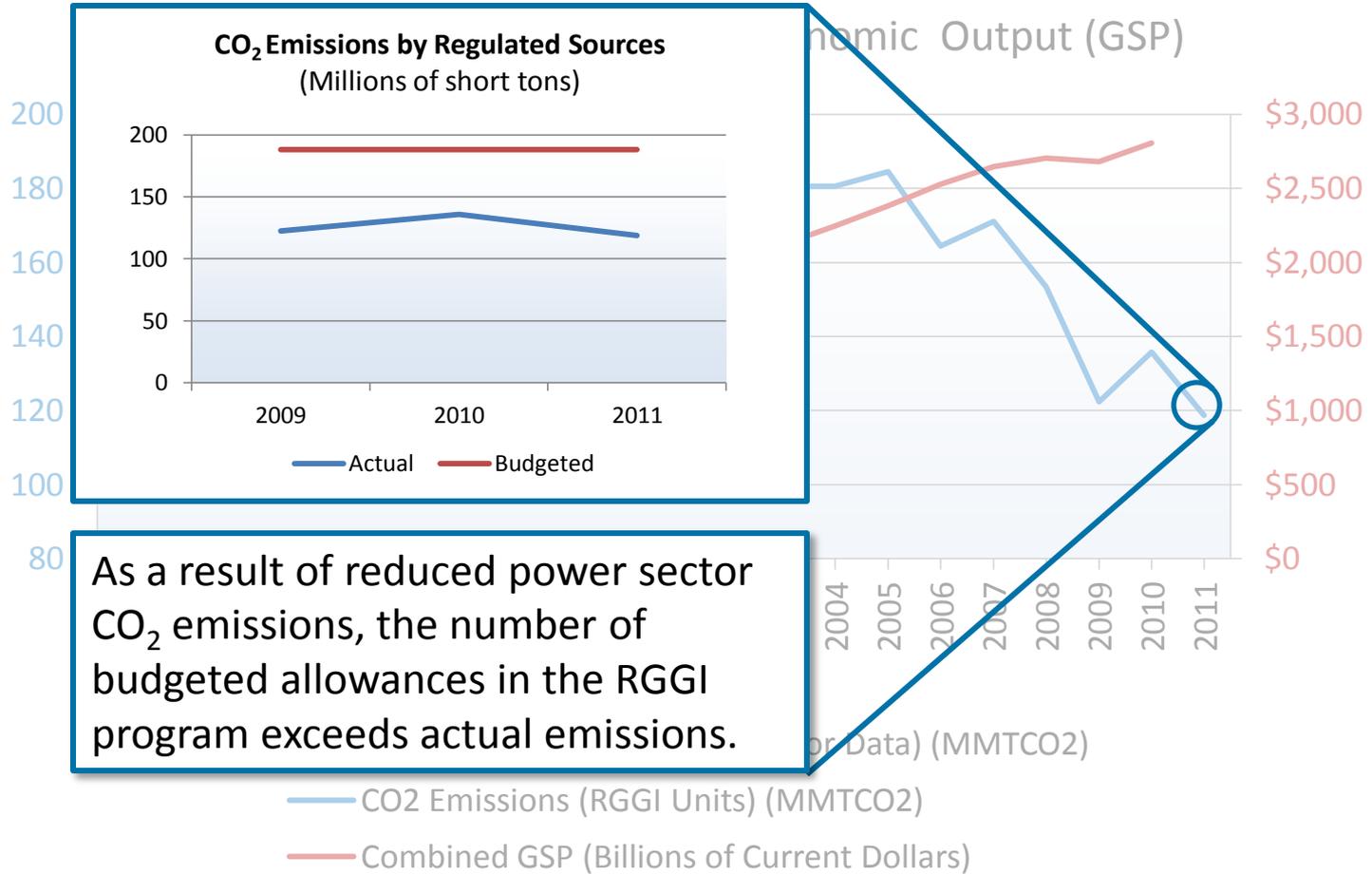


# Highlights: Anticipated Program Review Schedule

Date	Highlights
January	<ul style="list-style-type: none"> <li>• Learning Session w/Stakeholders: Flexibility Mechanisms</li> </ul>
February-March	<ul style="list-style-type: none"> <li>• Prepare potential policy scenario modeling runs</li> <li>• Prepare for macroeconomic modeling of potential policy scenarios</li> <li>• March Stakeholder Meeting: Modeling runs; Macroeconomic modeling assumptions; and information related to program success, program impacts and program operations</li> </ul>
April-May	<ul style="list-style-type: none"> <li>• Review and consider stakeholder comments</li> <li>• Revise potential policy cases for modeling and macroeconomic modeling assumptions</li> <li>• May Stakeholder Meeting: Revisions to policy scenarios; Macroeconomic modeling results, and additional topics</li> </ul>
Summer	<ul style="list-style-type: none"> <li>• Review and consider stakeholder comments</li> <li>• States assemble a comprehensive set of recommendations for consideration</li> <li>• Stakeholder meeting: Revised macroeconomic modeling results; Comprehensive recommendations</li> <li>• States consider input and make any necessary and appropriate adjustments to the set of recommendations</li> <li>• Based on recommendations, initiate state-specific public processes, and legislative and/or rule-making processes</li> </ul>



# RGGI-Region Power Sector CO<sub>2</sub> Emissions



- RGGI states should evaluate a straightforward carbon offset percentage usage limit (8-10%), as opposed to a triggering mechanism

*Industry Representatives*

- Offsets have yet to be used – providing an opportunity to re-visit eligible project types without creating market distortions

*NGOs*

- RGGI states should consider discontinuing the offsets program

*NGOs*

- RGGI states should harmonize the offsets program with California and other markets

*Multiple stakeholders*



- RGGI states should consider an allowance reserve mechanism that would release a finite number of allowances into the market should a certain price level be reached

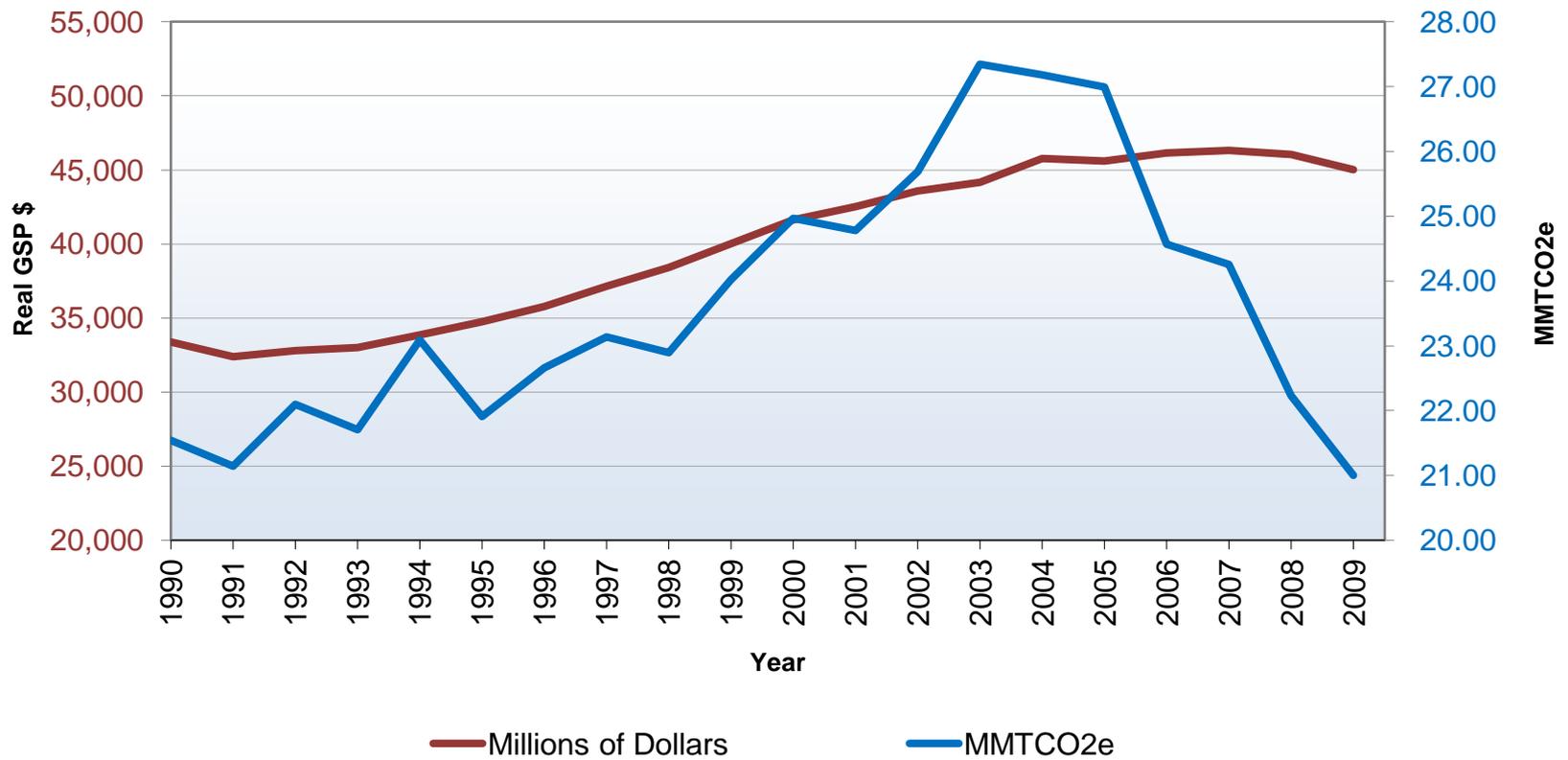
*Multiple Stakeholders*

- The concerns with making an unlimited number of allowances available to the market are significant

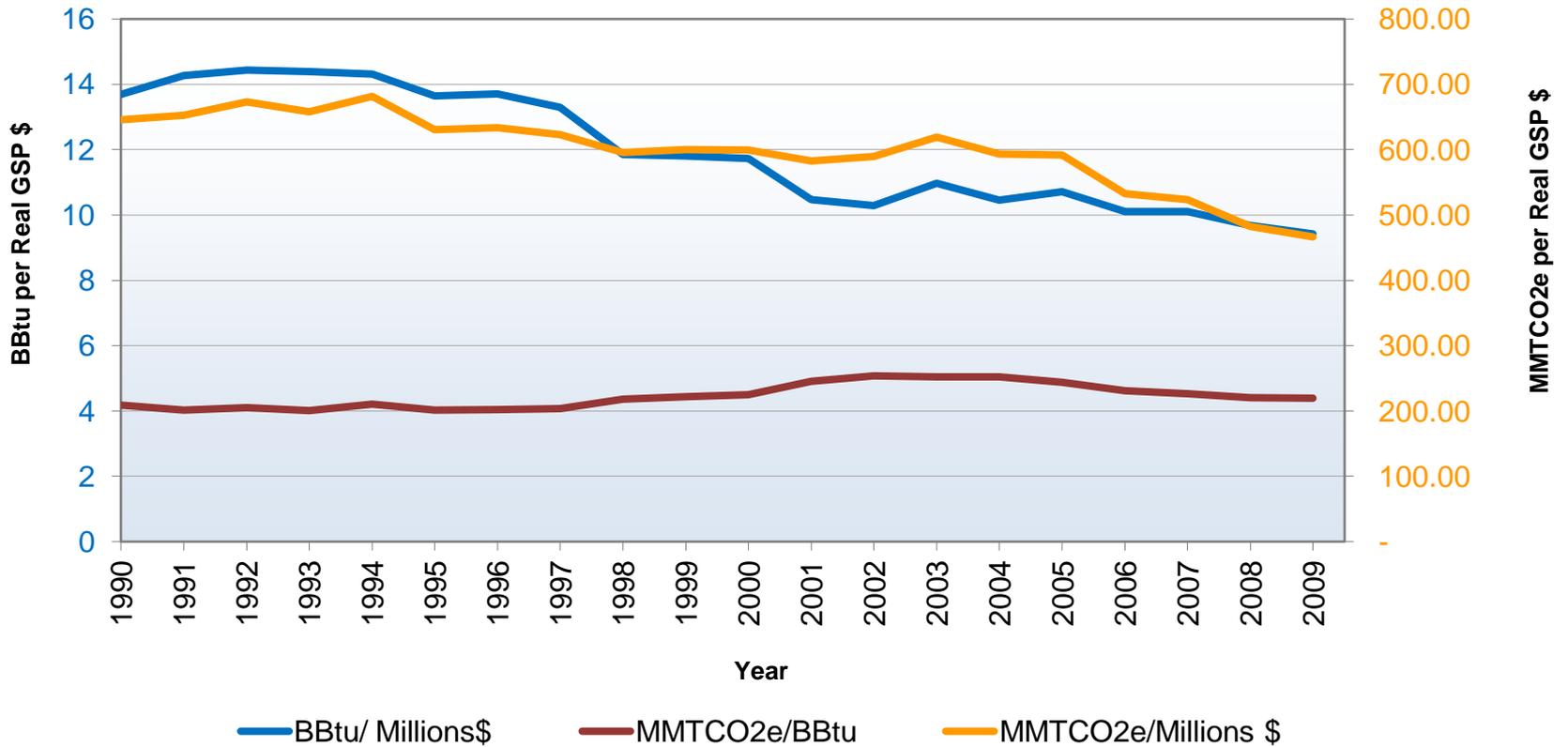
*Multiple Stakeholders*



## Maine Total Greenhouse Gas Emissions and Real Gross State Product

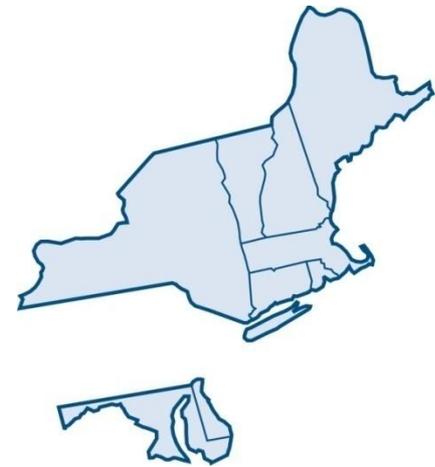


## Maine's Energy Consumption & GHG Emissions per Real GSP



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## Questions and Discussion

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