

RGGI: Auction and Investment for the Clean Energy Economy

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June 23, 2010

Why Cap and Trade?

- **Dilemma:** costs of GHG emissions are not reflected in the price of fossil fuels



- **Market failure:** no recognition of the public benefit of actions which reduce GHG emissions; no incentive for innovation



- **Cap-and-trade:** creates a flexible market mechanism to put a price on carbon
 - Polluters pay for each ton they emit (internalizes costs)
 - Establishes market certainty needed for long-term investments in clean energy
 - Allowance auctions recycle proceeds back into clean energy economy; significant env., econ., consumer benefits

Triple Benefits: Environmental, Consumer, Economic



The RGGI Experience: Establishing A Regional CO₂ Market

Memorandum of Understanding (2005)

- Declares intent to establish a regional carbon market
- Defines key program components (regional emissions cap, 25% consumer benefit allocation)



RGGI Model Rule (2007)

- Regulatory framework for CO₂ Budget Trading Programs



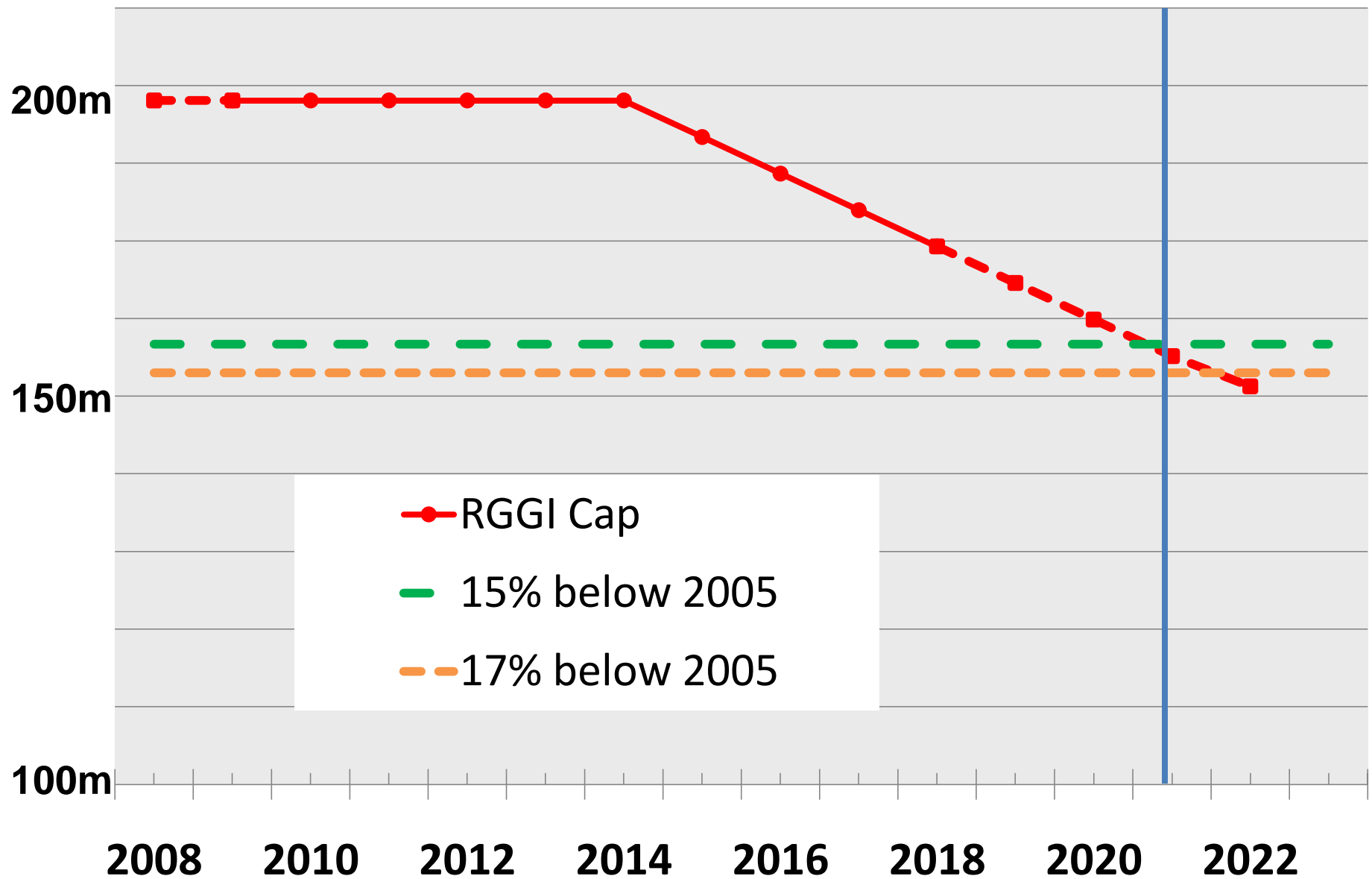
CO₂ Budget Trading Programs (2008)

- Ten, individual programs
- Defined by independent state statutes and regulations
- Function, in aggregate, as a single regional compliance market

PROGRAM OVERVIEW

<u>Sector:</u>	Electric generation facilities (25 MW or higher)
<u>Cap:</u>	188M tons of CO ₂ per year (2009-2014); will decrease 2.5% per year (2015-2018)
<u>Allocation:</u>	Close to 100% auction; Proceeds invested in consumer benefit
<u>Compliance:</u>	Facilities must possess one allowance / each ton of CO ₂ emitted within a three-year compliance period
<u>Banking:</u>	Unused allowances can be banked for future
<u>Offsets:</u>	Facilities can use offsets to cover 3.3% of emissions; 5 project categories; independently verified

Paths to 2020



Providing Fair, Uniform Access to Allowances

The RGGI Auctions:

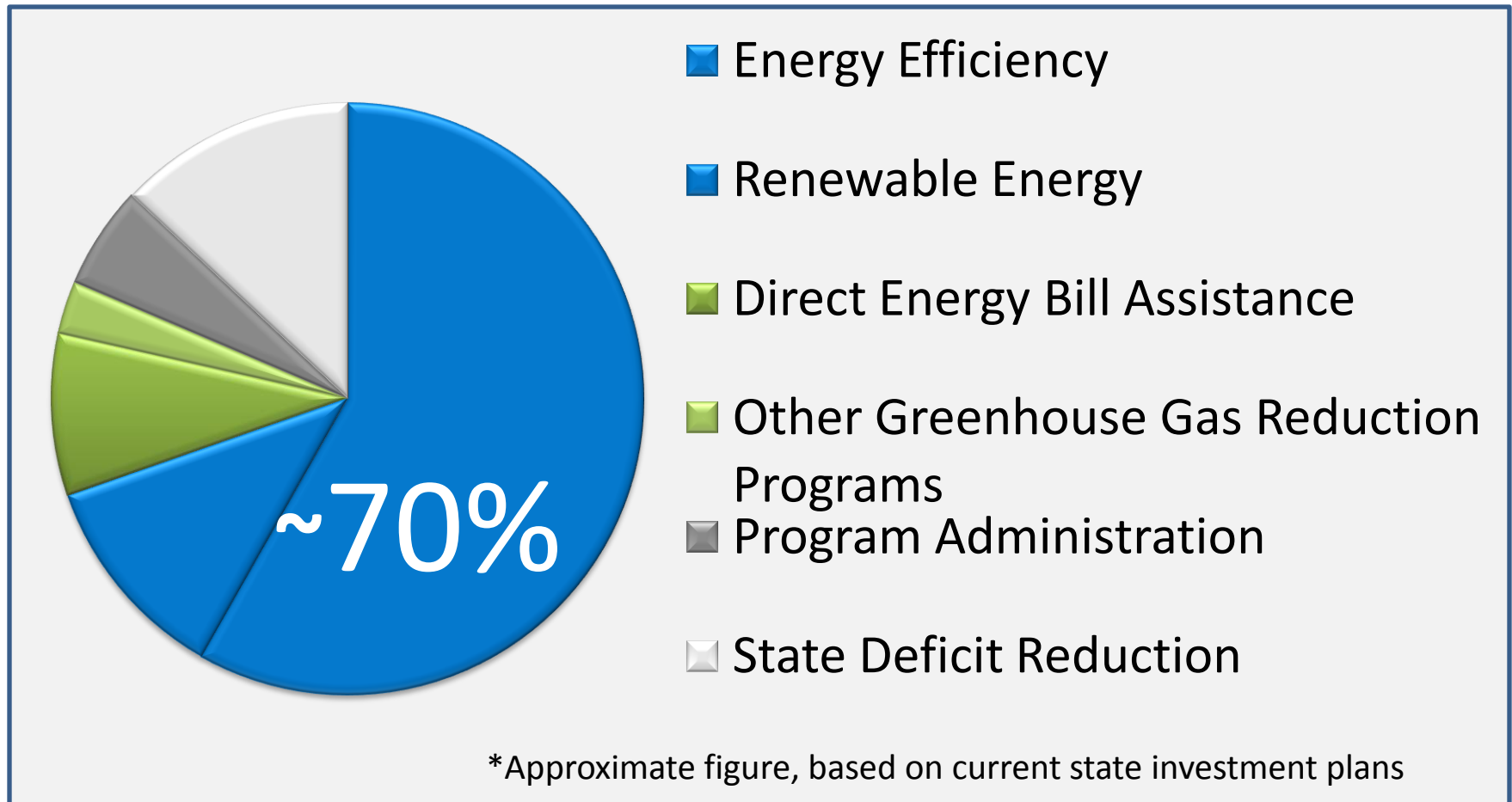
- Regional
- Held quarterly
- Open to all who apply and qualify
- Reserve price = \$1.86; current market
- Small number of future allowances offered
- Observed by market monitor
- Proceeds reinvested in the clean energy economy

8 Auctions - More than \$662.8M in Proceeds

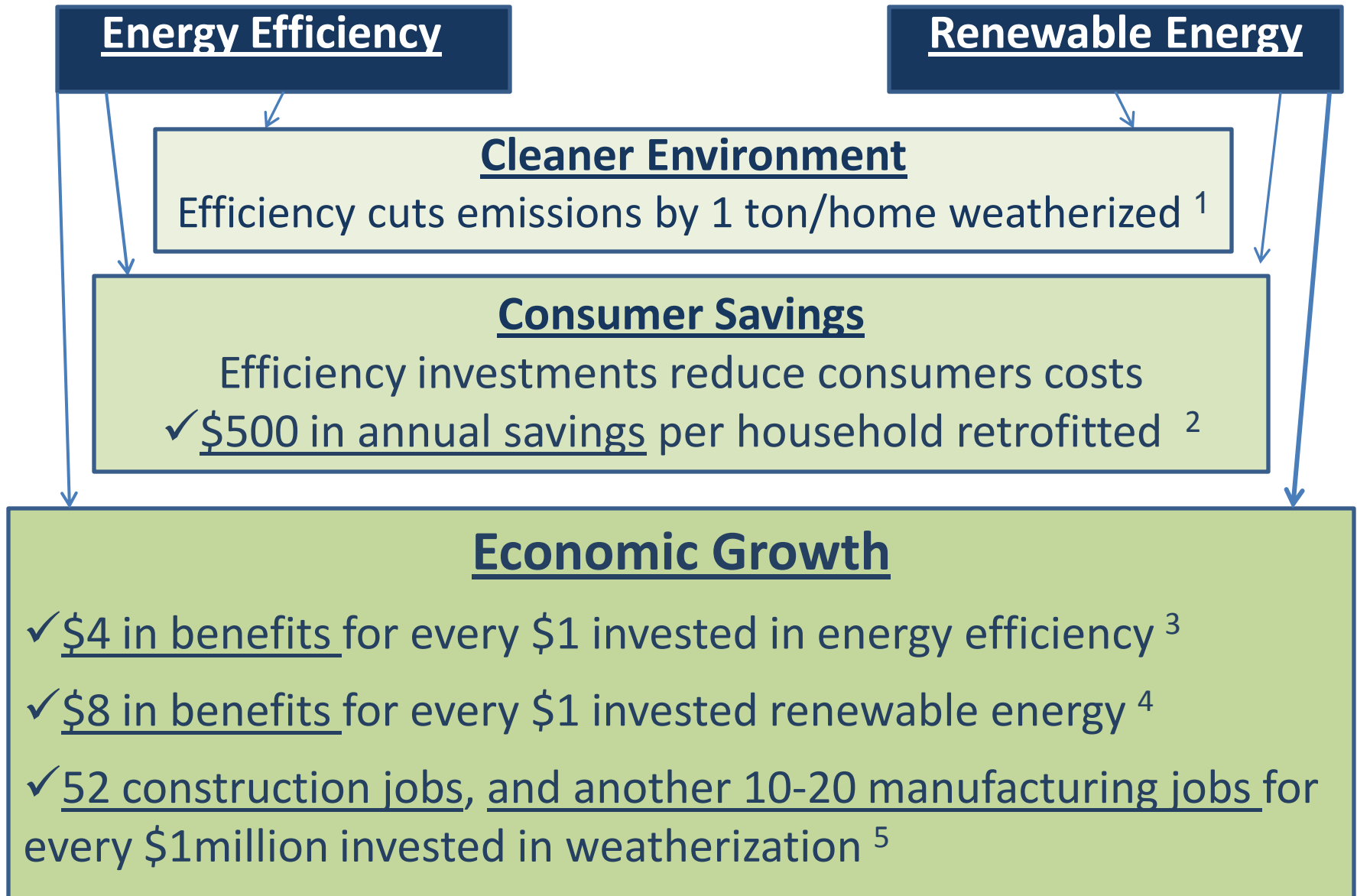
State	Total Auction 7 Proceeds	Cumulative Proceeds (Auctions 1-7)
Connecticut	\$4,480,579.29	\$31,019,515.89
Delaware	\$2,368,241.37	\$13,867,292.94
Maine	\$2,731,755.42	\$17,978,362.91
Maryland	\$16,994,061.45	\$113,265,638.71
Massachusetts	\$14,208,819.15	\$93,303,916.83
New Hampshire	\$3,236,107.17	\$21,397,456.65
New Jersey	\$9,151,228.71	\$64,507,341.45
New York	\$32,708,276.16	\$213,386,993.61
Rhode Island	\$1,422,257.37	\$9,344,844.16
Vermont	\$655,618.47	\$4,307,689.79
Total	\$87,956,944.56	\$582,379,052.94

Reinvestment in the Clean Energy Economy

\$662.8M in proceeds, most of it devoted to energy efficiency and renewable energy



Triple Benefits: Environmental, Consumer, Economic



For more information visit:

<http://www.rggi.org/states>