



**Department of the Environment**

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# **RGGI Overview**



**Air Quality Planning Program**

**March 12, 2010**

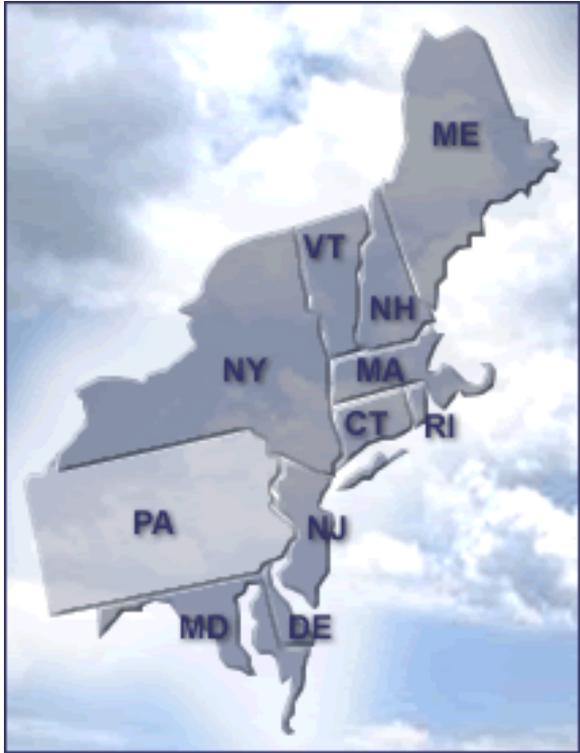


# Overview

- RGGI Basics
- Set-Aside Accounts
- 2010/2012 Review
- Auctions
- Offsets
- Expansion
- Federal Impacts



# Basics



- Maryland officially became the 10<sup>th</sup> member of RGGI on April 20, 2007
- RGGI is a regional cap and trade program focused on reducing carbon dioxide (CO<sub>2</sub>) emissions from power plants
- Not your “typical” cap and trade program
  - CO<sub>2</sub> reductions achieved by reduced demand not “scrubbers” or other end-of-the-pipe pollution control technologies
  - RGGI reductions to be achieved by
    - Setting a cap for the region
    - Auctioning allowances
    - **Using auction proceeds to create incentives for energy efficiency and reduced demand**
- Will result in a small, but positive benefit to Maryland electricity consumers

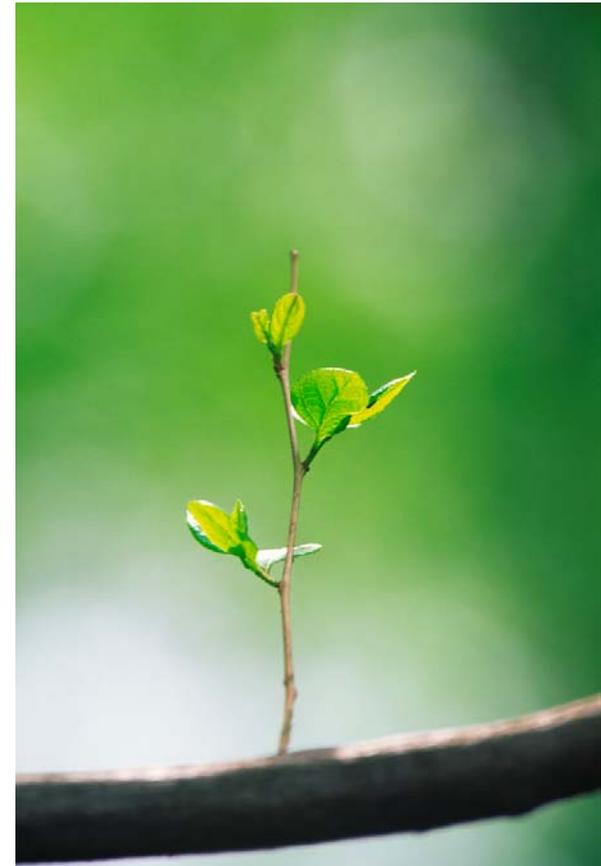
# Set-Aside Accounts

- Limited Industrial Exemption Set-Aside Account (LIESA)
  - Allows the Department to approve an industrial generator for an exemption from purchasing CO<sub>2</sub> allowances
    - Annual electrical output to the electric grid of the industrial generator is limited to less than 10% of annual gross generation
    - Must submit and comply with the terms of a climate action plan
      - Site inventory for GHGs
      - Site goal(s) and goal metric(s)
      - Specific reduction strategies, including estimated reductions
      - Options for Early Reductions
      - Options for offsets
  - Two sources:
    - Severstal Sparrows Point
    - Newpage Luke Mill
  - Exemption approved February 2010
- Long Term Contract Set-Aside Account
- Clean Generation Set-Aside Account
- Voluntary Renewable Set-Aside Account
  - To be discussed



# 2010/2012 Review

- 2010 review required by COMAR 26.09.02.02(E)
  - Contract with Regional Economic Studies Institute (RESI) to conduct review
  - Will review auctions, auction prices, electricity generation in MD, set-aside accounts, COATS, and an overall impact analysis
  - Draft due August 1, 2010
- 2012 review required by RGGI MOU
  - Requires a review of all components of the RGGI program



# Auctions



- Primary and Secondary market auction platform
- Participation in all 6 auctions to date
- Total amount of proceeds from RGGI auctions more than \$494.4 million
  - \$96.2 million for Maryland
- Strategic Energy Investment Fund
- \$7 trigger
- Auction 7 to be held on March 10, 2010
  - Maryland will offer 7,878,873 current allowances (VY10)
  - Maryland will offer 376,443 future allowances (VY13)

# Offsets

- Five Options
- Third-party verification required
- Technical guidance for each offset option developed with cooperative review
- Two applications received to date
  - Massachusetts
  - New York
- No applications received in Maryland

# Expansion

- Possibility of expanding RGGI to other sectors or expanding existing offsets program to other areas
- Minimal discussion of expansion until further development of federal legislation



# Federal Impacts

- Federal program may preempt any Maryland or RGGI offset
  - Waxman-Markey Bill has USDA overseeing offsets
- 2009 proposed legislation contains conversion factor for RGGI CO<sub>2</sub> allowances



Questions?

