



Regional Greenhouse Gas Initiative

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

**Regional Greenhouse Gas Initiative
(RGGI):
The Maryland RGGI Rule and Overview**

October 15, 2007

Topics

- Rule Organization
- Rule Issues
- Continuing Plans
- RGGI Overview



KUDOS

Thanks to the hard work of my staff
the rule is out for your comments.

Interagency Working Group

- State agencies representatives' monthly meeting since Fall 2006
 - PSC, MEA, DNR, MDA, MDE
 - Topic-specific Subcommittees:
 - Historic Emissions/Budget
 - Auctions
 - Energy Efficiency & Renewables
 - Offsets
 - Model Rule

Maryland RGGI Rule

- Longest Rulemaking – 170 pages
- Closely follows the RGGI Model Rule with some reorganization
- New subtitle 26.09 with three chapters

Chapter One

- Definitions
- Compliance Accounts
- General Accounts
- Account Representatives
- Incorporation By Reference

Chapter Two

- Applicability
- Exemptions
- Distribution of Allowances
- Permits
- Compliance Demonstration
- Continuous Emissions Monitoring
- Recordkeeping

Chapter Three

- Offsets
 - Landfill methane capture and destruction;
 - Reduction in emissions of sulfur hexafluoride (SF_6);
 - Sequestration of carbon due to conservation or restoration of natural resources;
 - Reduction or avoidance of CO_2 emissions from natural gas, oil, or propane end-use combustion due to end-use energy efficiency;
 - Avoided methane emissions from agricultural manure management operations
- Applications
- Standards and Calculations
- Includes Saltwater Marshes and Urban Tree Canopy
- Concept of Additionality

MD Rule Considerations

- Allowance Allocations
 - Consumer benefit/strategic energy set-aside percentage to be determined
 - Two options: 100% auction or Variable % option
- Model Rule Option: Voluntary renewable set-aside
 - Example provided in model rule
 - Less administratively burdensome approach used in past
- Exemption for Industrial Sources that provide less than 10% power to the grid
- Offset Categories

MD Rule Comments

- Comments are anticipated
- Comments will be considered
 - May have to parallel process
- Need support for new offset categories
- Probably be a second rule concerning auctions
 - Comments on auction research invited
- ME, MA, NY, CT, VT have proposed rules or pre-proposals

MD Rule Comments

Send comments to:

rfizer@mde.state.md.us

MD Allocation Study

- MD Plans to Continue RGGI Research
- Allocation Study
 - Preliminary report on analysis of allocation scenarios, e.g, Above 25%
 - Plan more work on allocation scenarios and energy efficiency program benefits through U of MD CIER
 - Report in late 2007; early 2008



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Overview

- Unprecedented Collaboration between Energy & Environmental Agencies
- Expert Input from ISOs, Environmental & Energy Think Tanks, etc.
- Extensive Stakeholder Input (two-plus year regional process)
- Now RGGI, Inc., a nonprofit corporation
- Program Committee (Staff Working Group)
→ Agency Heads → Governors



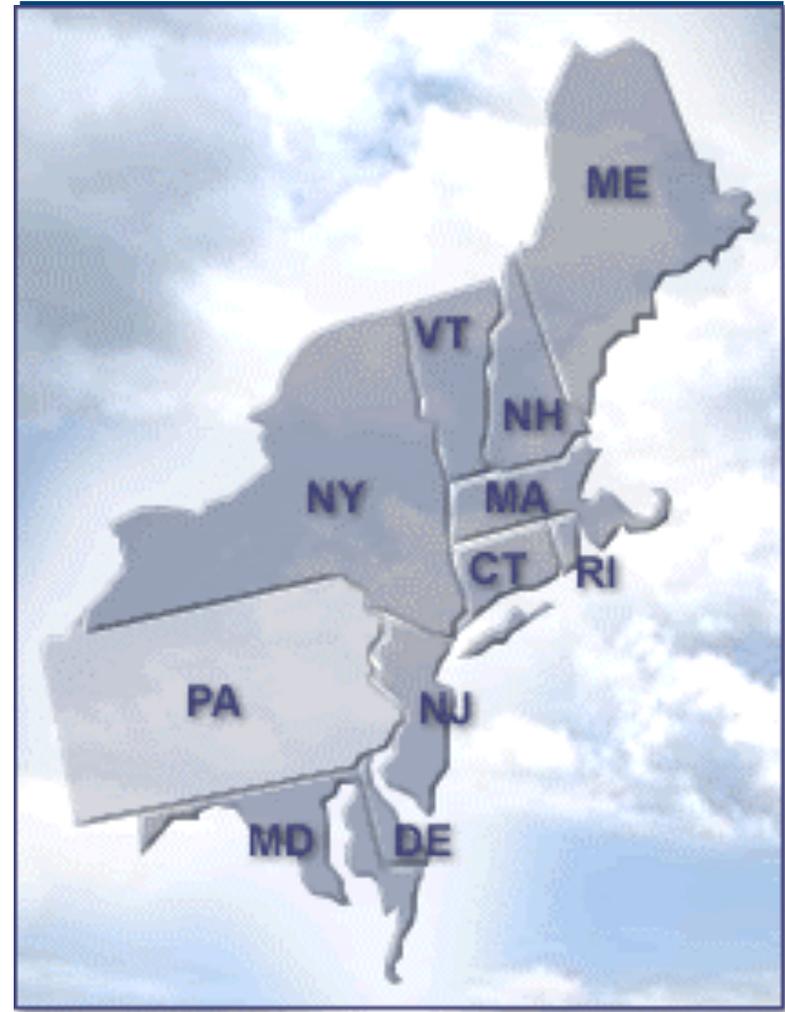


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Three-Year Effort

- Groundwork
 - Data Assembly
 - Impacts Analysis
 - Stakeholder Process
- Policy Research & Deliberation



RGGI Program Components

- Start Date of January 1, 2009
- Covers Fossil-Fired Electric Generating Units 25 Megawatts and larger
- Two-Phase Cap--Stabilize Emissions through 2014; Reduce 10% by 2018
- Comprehensive Program Review in 2012

RGGI Program Components

- Three-Year Compliance Period
- Banking Allowed (no limit)
- Allocations:
 - Minimum 25% allocation for Consumer Benefit and/or Strategic Energy Purpose, as defined in MOU (e.g., support end-use energy efficiency)
 - Remaining 75% allocated at discretion of each state
 - States comprising majority of regional emissions budget have committed to or are considering 100% auction with revenues to provide consumer benefits

Vital Piece of RGGI

- As part of the RGGI program, MD will develop a strategic energy fund by auctioning at least 25% of budgeted CO2 allowances
- Fund (\$30-50 million) will support state and local energy efficiency and mitigation programs
- **Strong investment in energy efficiency programs key in RGGI success**



Consumer Benefit Account



- RGGI MOU: At least 25% allocations toward set-aside account for “consumer benefit or strategic energy purpose” to
 - promote energy efficiency,
 - directly mitigate electricity ratepayer impacts,
 - promote renewable or non-carbon-emitting energy technologies
 - stimulate or reward investment in the development of innovative carbon emissions abatement technologies with significant carbon reduction potential, and/or
 - fund administration of the Program



ENERGY STAR
PARTNER

Market Issues: Potential Emissions Leakage

- In competitive market, cost adder due to CO₂ compliance cost could result in a shift in generation to uncapped sources outside the RGGI region, a dynamic termed “emissions leakage”
- Though subject to uncertainty, RGGI States consider leakage to be serious potential issue
- MOU mandates report to agency heads on mitigation options
- Two-day workshop held June 2006 with stakeholders, experts to discuss issues
- Report delivered to agency heads for review March 2007 (see <http://www.rggi.org/emisleak.htm>):
- Report addresses in detail
 - Market dynamics that could lead to leakage, or mitigate it
 - Proposal for how to monitor leakage, using existing tracking systems (minor modifications to PJM GATS)
 - Survey of policy options available to mitigate potential leakage (LSE-focused policies)

Collaboration on Regional Auction Design

- Participating States working together to design a regional allowance auction platform
- Auctions workshop held July 2006 to discuss auction design issues
- Research on auction design in process (University of Virginia and Resources for the Future); final report October 2007
- **Next RGGI auction stakeholder meeting November 7, 2007 in Albany NY**
- Goal: seek agreement on auction design, rules for participation, timing, etc. December 2007
 - Joint management of regional auction platform
 - Goal: hold first auction in mid-2008

Next Steps

- **Stakeholder Meetings –**
 - 10/15/07 and 10/19/07
 - Probably more
- **Draft MD rule released**
- **Goals:**
 - Finalize rules by Spring 2008
 - Participate in first auction
- **Next AQCAC Meeting November 2**