

Regional Greenhouse Gas Initiative (RGGI)

An update on NY State's
Participation
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What is RGGI?

- 9 Participating States
- PA, MD, Wash D.C. and Eastern Canadian Provinces are observing.
- Initiated by Gov. Pataki in 2003
- The Goal: To Design a Regional "Cap & Trade" Program for CO2 emissions from power plants.
- <http://www.rggi.org>



How would a Regional “CAP and TRADE” Program for CO₂ work?



- Power Plants only (now).
- States must all agree on a level of CO₂ emissions that cannot be exceeded = **CAP**.
- The CAP is then distributed to various emissions sources (i.e. power plants) = **ALLOCATION**.

Cap & Trade...Continued

- Power Plants that cannot meet their individual allocations, can purchase emission credits from other power plants = **TRADE**.
- A certain percentage of Allocations are **retired** over time to meet emissions reduction goals.
- 2001 Climate Change Action Plan & NYS Energy Plan calls for 10% reduction below 1990 levels by 2020.



Benefits of a Cap & Trade System



- Emissions costs are “internalized”.
- Trading minimizes economic impacts to power plants – low hanging fruit.
- Setting a cap on CO₂ emissions creates scarcity. Scarce resources have value.
- CO₂ is a very “liquid” commodity.
- Liquidity allows for emissions credit projects = **OFFSETS**

What are Offsets?



Greenhouse Gas (GHG) Emission Reduction Credits from non- power plant sources. Such as:

- Landfill Gas Recovery
- Reforestation
- Energy Efficiency
- Renewable Energy
- Must be **Additional**

Where is RGGI now?

- Aiming for draft model rule by April, 2005.
- RGGI States are trying to agree on Caps and Allocations
- Multi-state committees are developing standards for easily quantifiable offset projects (landfill gas, afforestation, SF₆, EU (Kyoto) retired allowances.)
- Trying to structure the program so that other states can easily join.
- Potential Start Dates January 2008.

RGGI a Model for the Nation?

- RGGI States = ~5% of U.S. CO₂ emissions
- RGGI States have already reduced emissions ~7% below 1990 levels (estimate).
- Rest of the U.S. States: ~25% increase since 1990!
- How does this affect setting a CAP?