

COOPERATIVE AGREEMENT

This COOPERATIVE AGREEMENT ("Agreement") is made and entered into as of this ___ day of July, 2008, by and between Rhode Island through its Rhode Island Department of Environmental Management, having its principal place of business at 235 Promenade Street, Providence, RI 02908 (hereafter referred to as the "Agency"); and the REGIONAL GREENHOUSE GAS INITIATIVE, INC. (hereafter referred to as "RGGI, Inc."), a non-profit corporation having its principal place of business at 90 Church Street, New York, New York, 10007 (collectively referred to as the "Parties".)

WITNESSETH:

WHEREAS, as of the date of this Agreement, the Governors of the states of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island and Vermont (the "Signatory States") have entered into a Memorandum of Understanding to establish a multi-state greenhouse gas control program for carbon dioxide emissions from certain electric power plants (the "Regional Greenhouse Gas Initiative" or "RGGI"); and,

WHEREAS, on July 12, 2007, RGGI, Inc. was incorporated in the State of Delaware as a non-profit corporation formed to serve as the sole regional organization for purposes of: (a) providing technical and scientific advisory services to the Signatory States in the development and implementation of a multi-state greenhouse gas control program, or its successor, under RGGI, (b) reducing air pollutants that contribute to climate change; and (c) performing other charitable or scientific functions related to the reduction of greenhouse gas emissions or the increase in carbon sequestration on behalf of the Signatory States; and,

WHEREAS, Rhode Island will promulgate and otherwise establish its carbon dioxide cap and trade program (the "CO₂ Budget Trading Program") pursuant to R.I. GEN. LAW §23-82 to: (a) stabilize and then reduce anthropogenic emissions of CO₂, a greenhouse gas, from CO₂ budget sources in an economically efficient manner; (b) establish the Tracking System Program ("Tracking System"), an electronic system to track CO₂ emissions, CO₂ allowances and CO₂ Offset allowances; (c) establish a multi-state auction that provides for the periodic auctions of CO₂ allowances (the "Auction Program"); and (d) establish a program that provides compliance flexibility by awarding CO₂ offset allowances to projects that reduce and/or sequester emissions of greenhouse gases (the "Offset Program"); and,

WHEREAS, in accordance with the requirements of R.I. GEN. LAW §23-82, Rhode Island determined that a multi-state auction can provide benefits to Rhode Island that meet or exceed the benefits conferred upon Rhode Island through a state-run auction process or sale of allowances and therefore, enters into this contract with RGGI, Inc. to conduct one or more of the multi-state auctions, in conformance with Rhode Island's auction rules and procedures set forth in R.I. GEN. LAW §23-82; and,

WHEREAS, for purposes of the multi-state auction, RGGI, Inc. will be considered the Agency's agent as that term is defined in the Agency's *Air Pollution Control Regulation No. 47* as the Agency's independent contractor and/or regional entity: and,

WHEREAS, in the event Rhode Island determines that a state-run auction or sale will provide benefits to Rhode Island that meet or exceed the benefits conferred upon Rhode Island through a multi-state auction process, Rhode Island reserves the right to conduct one or more state-run auctions or sales and to enter into a separate contract with any RGGI, Inc. program vendor in conformance with Rhode Island's auction rules and procedures set forth in R.I. GEN. LAW §23-82; and,

WHEREAS, RGGI, Inc. shall administer the duties listed below and shall perform all duties in compliance with the terms and conditions contained in this Agreement; and,

WHEREAS, the Agency is authorized to execute this Agreement on behalf of Rhode Island;

NOW, THEREFORE, the Agency and RGGI, Inc., for and in consideration of mutual covenants and other good and valuable consideration, do hereby agree to the terms of this Agreement, as follows:

ARTICLE 1. SCOPE OF SERVICES

1.1 The Agency hereby contracts with RGGI, Inc. to administer and otherwise manage the Auction Program, the Tracking System, the Offset Program and any and all services required under the aforementioned programs pursuant to the terms of this Agreement. For purposes of the Agency's regulations, as they pertain to this Agreement, RGGI, Inc., is the Agency's "agent" as that term is defined in the Agency's *Air Pollution Control Regulation No. 47* and in R.I. Gen Law §23-82.

1.2 In accordance with RGGI, Inc.'s Certificate of Incorporation, and in order to fulfill its obligations under this Agreement, RGGI, Inc. may enter into contracts with any person, firm, association, corporation or body politic. Any subcontract entered into by RGGI, Inc. for the purposes of fulfilling its obligations under this Agreement must be in writing and shall be consistent with and subject to the provisions of this Agreement. Subcontracts shall not relieve or discharge RGGI, Inc. from any duty, obligation, responsibility or liability arising under this Agreement. RGGI, Inc. shall provide the Agency with copies of all subcontracts and shall not be bound by any provisions contained in a subcontract to which it is not a party. The Agency shall also have access to any reports, financial records and findings prepared by the subcontractors for RGGI, Inc.

ARTICLE 2. RESPONSIBILITIES

2.1 RGGI, Inc. shall provide program implementation and program development services, as outlined in the attached Scope of Work.

2.2 The Agency shall annually convey one hundred percent (100%) of all of its carbon allowances to RGGI, Inc., or a de minimis portion of allowances may be set aside. RGGI, Inc. is authorized as agent for the State of Rhode Island to receive, hold and sell allowances. RGGI, Inc. shall conduct the auction as part of its multi-state auction, collect the auction proceeds as agent for the State of Rhode Island, and shall upon receipt, transfer the auction proceeds to the State of Rhode Island as directed by the State Controller of the Rhode Island Department of Administration, Marc Leonetti or his successor ("State Controller"). Such auction proceeds held by RGGI, Inc. shall at all times be held in cash or money market funds and remain funds of the State of Rhode Island and shall, pending disbursement, be held in a lockbox account, custodial account, trust account or an account with similar governance protections to those aforementioned, established at the Bank of New York Mellon ("Account") requiring three signatures from Directors of RGGI, Inc. for release directly to the State of Rhode Island as directed by the State Controller. The Account shall only be used to (i) receive and hold all auction proceeds and bidder security; (ii) return bidder security; and (iii) disburse auction proceeds to the States, including the State of Rhode Island as directed by the State Controller. Any interest or other income accrued from the Account shall be utilized to defray the costs to conduct the auctions. RGGI, Inc. will cause its internal controls for managing the Account as well as the Account itself to be audited as part of RGGI, Inc.'s annual audit, and will permit the State of Rhode Island to review its financial accounts.

ARTICLE 3. PAYMENT

3.1 After proceeds from the auction are available, the Agency will pay RGGI, Inc the sum of fifty two thousand four hundred fifty four Dollars (\$52,454) for the year 2009 to carry out the responsibilities and obligations detailed under this Agreement.

3.2 Following the year the initial payment is made, the Agency will pay RGGI, Inc. the sum of nineteen thousand two hundred ninety seven thousand Dollars (\$19,297) for the year 2010 to carry out the responsibilities and obligations under this Agreement.

ARTICLE 4. REPORTS TO THE AGENCY

4.1 By the 15th day of April, July, October and January, RGGI, Inc. shall provide the Agency with a detailed report of the activities undertaken by RGGI, Inc. or its subcontractors to meet its responsibilities under Article 2 during the preceding calendar quarter including, without limitation: attainment of milestones set forth in the three Work Plans, Market Monitoring Reports, Audit reports, budget reports. RGGI, Inc. shall also submit to the Agency an annual report describing the auctions and their results.

ARTICLE 5. INDEMNIFICATION

5.1 RGGI, Inc. shall protect, indemnify and hold harmless the State and the Agency from and against all liabilities, losses, claims, damages, judgments, penalties, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) imposed upon or incurred by or asserted against the State and the Agency resulting from, arising out of or relating to RGGI, Inc.'s performance of this Agreement. The obligations of RGGI, Inc. under this clause shall survive any expiration or termination of this Agreement.

ARTICLE 6. EFFECTIVE DATE OF AGREEMENT

6.1 The effective start date of performance under this Agreement shall be the date that the Agreement is executed by an authorized signatory for RGGI, Inc. and authorized signatories for the Agency, whichever is later.

6.2 This Agreement shall expire January 1, 2011 unless otherwise renewed in accordance 6.3 below.

6.3 The Agency has the automatic option to renew the contract for two (2) additional four (4) year terms.

ARTICLE 7. PROJECT MANAGEMENT AND NOTICES

7.1 All notices, submissions, correspondence and other communications specifically provided for or required under this Agreement shall be made by hand-delivery, electronic mail or by First Class Mail to the person and addresses listed below, or their successors. Any notice shall be deemed delivered and received when submitted in writing in person or when delivered by an other appropriate method evidencing actual receipt by Rhode Island or RGGI, Inc.

7.2 Contact information:

For the Agency:

Stephen Majkut, Chief
Office of Air Resources
R.I. Department of Environmental Management
235 Promenade Street
Providence, RI 02908
401-222-2808 x7010
steve.majkut@dem.ri.gov

For RGGI, Inc.
Jonathan Schrag, Executive Director
RGGI, Inc.
90 Church Street
New York City, New York 10007
jeschreg@gmail.com
646-649-3787

ARTICLE 8. MAINTENANCE OF RECORDS

8.1 RGGI, Inc. shall keep, maintain and preserve at its principal offices, through the term of this Agreement and for a period of seven additional years thereafter, full and detailed books, accounts, and records pertaining to the performance of its obligations, including without limitation, all bills, invoices, payrolls, subcontracting records and other data related to the direct and direct costs and expenses incurred by RGGI, Inc. in the course of such performance under this Agreement.

8.2 All documents generated or accepted in performance of this contract shall be confidential and shall not be released to anyone without prior authorization by the Agency unless it is considered a public document under state law.

8.3 All documents generated or accepted by RGGI, Inc. in performance of this contract shall be made available to the Agency upon request.

ARTICLE 9. TERMINATION OR SUSPENSION

9.1 This Agreement may be terminated by the Agency at any time during the term of this Agreement, with or without cause, upon 30 days prior written notice to RGGI, Inc.

9.2 If this Agreement is terminated, RGGI, Inc. shall be paid and compensated for the costs incurred up to the date of termination, and all remaining funds paid to RGGI Inc. pursuant to Article 3 shall be returned to Rhode Island within 30 days of the date of termination.

9.3 If at any time Rhode Island is no longer a Signatory State, then this Agreement may be terminated by RGGI, Inc., by written notice to Rhode Island.

ARTICLE 10. NO THIRD PARTY RIGHTS

10.1 Nothing in this Contract shall create or give to third parties any claim or right of action against Rhode Island or RGGI, Inc.

ARTICLE 11. INDEPENDENT CONTRACTOR

11.1 In carrying out the terms of this Agreement, RGGI, Inc. shall at all times be an independent contractor. Nothing contained in this Agreement shall be construed to create an employee-employer relationship between Rhode Island and RGGI, Inc.

ARTICLE 12. SEVERABILITY

12.1 If any part of this Agreement is determined to be invalid, illegal or unenforceable, such determination shall not affect the validity, legality or enforceability of any other part of this Agreement, and the remaining parts of this Agreement shall be enforced as if the invalid, illegal or unenforceable part were not contained therein.

ARTICLE 13. COMPLIANCE WITH LAWS

13.1 RGGI, Inc. agrees to comply with the provisions of R.I. Gen. Law §28-5, Fair Employment Practices, and all Rhode Island and Federal laws, local statutes, ordinances, and regulations that are applicable to the performance of this Agreement.

ARTICLE 14. ENTIRE AGREEMENT/CHANGES

14.1 This Agreement together with the Scope of Work in Support of the Rhode Island Department of Environmental Management's Implementation of the CO₂ Budget Trading Program annexed hereto contains the entire agreement of the Parties with respect to the subject matter hereof, and supersedes all prior agreements or understanding regarding such subject matter, or any portion thereof.

14.2 This Agreement may be amended or supplemented only by a written instrument signed by duly authorized representatives for all Parties.

14.3 This Agreement shall be governed by and construed in accordance with the laws of the State of Rhode Island.

14.4 The Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

ARTICLE 15. INTELLECTUAL PROPERTY OWNERSHIP

15.1 Any deliverable under this contract shall be owned jointly by Rhode Island and such other states as have a similar contractual relationship with RGGI Inc.

With respect to any software computer programs, intellectual property and/or source codes developed under this contract, by RGGI Inc. or any subcontractors thereunder, the state shall be entitled to worldwide, irrevocable, non-exclusive, license to use any such

software computer programs, intellectual property and/or source codes without limitation and including all inventions, patents or patent applications derived from such inventions developed under this Agreement.

As used herein, "Intellectual Property" shall mean inventions (whether or not patentable), works of authorship, trade secrets, techniques, know-how, ideas, concepts, and algorithms.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives.

SIGNATURE PAGE

The State of Rhode Island and Providence Plantations, by the Director of the Rhode Island Department of Environmental Management and the RGGI, Inc. title , neither of whom incur any personal liability by reason of the execution hereof or anything herein contained, set their hands and seals to this Memorandum of Agreement, on the last day and year so indicated.

STATE of Rhode Island and Providence Plantations

By: W. Michael Sullivan

W. Michael Sullivan, PhD

Title: Director

Agency: Department of Environmental Management

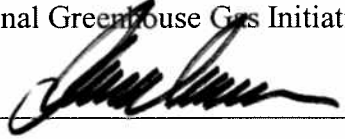
Dated: 7-22-08

STATE OF Rhode Island
COUNTY OF Providence) SS.:

On the 22 day of July in the year 2008, before me, the undersigned, a Notary Public in and for said State, personally appeared W. Michael Sullivan personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individuals(s), or the person upon behalf of which the individual(s) acted, executed the document.

Rayna Santora
Notary Public

Regional Greenhouse Gas Initiative, Inc.

By: 

Name: ALEXANDER B. GRANNIS

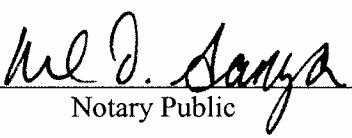
Title: CHAIR

Dated: 8/11/08

STATE OF New York)
) SS.;

COUNTY OF Albany)

On the 11th day of August in the year 2008, before me, the undersigned, a Notary Public in and for said State, personally appeared Alexander B. Grannis, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individuals(s), or the person upon behalf of which the individual(s) acted, executed the document.


Notary Public

MARK D. SANZA
Notary Public, State of New York
No. 02SA6010701
Qualified in Albany County
Commission Expires July 20, 2010

Regional Greenhouse Gas Initiative, Inc.

Scope of Work in Support of Rhode Island Department of Environmental Management Implementation of the CO₂ Budget Trading Program

Regional Greenhouse Gas Initiative, Inc. (“RGGI, Inc.”) will provide program implementation and program development services, as outlined in this scope of services, to the Rhode Island Department of Environmental Management (the “Agency”) to support the Rhode Island’s participation in the Regional Greenhouse Gas Initiative (RGGI) and the implementation of regulations for the Rhode Island CO₂ Budget Trading Program. RGGI, Inc., a non-profit organization incorporated in the State of Delaware, was formed expressly to provide technical implementation and program development support services to signatories of the RGGI Memorandum of Understanding (the “participating states”), signed December 20, 2005, as amended.

Overview

RGGI, Inc. will provide services to support implementation of the Rhode Island CO₂ Budget Trading Program in the following seven areas:

- I. Design and operation of a regional emissions and allowance tracking system (EATS), for use by the Agency in administering the Rhode Island CO₂ Budget Trading Program Rhode Island and the counterpart programs in other participating states
- II. Design and operation of a regional allowance auction platform, for use by the Agency in administering the Rhode Island CO₂ Budget Trading Program and the counterpart programs in other participating states
- III. Development of model offsets consistency applications and model offsets monitoring and verification submittal forms, suitable for customization by the Agency for use in administering the offsets component of the Rhode Island CO₂ Budget Trading Program
- IV. Development of generic and category-specific guidance documents detailing the requirements for offset projects under CO₂ Budget Trading Program, suitable for use by the Agency to support administration of the offsets component of the Rhode Island CO₂ Budget Trading Program
- V. Development and operation of an accreditation process for the accreditation of independent verifiers of offset projects, suitable for use by the Agency to support administration of the offsets component of the Rhode Island CO₂ Budget Trading Program
- VI. Market monitoring services for monitoring of both allowance auction conduct and outcomes and monitoring of the secondary allowance market

- VII. Provision of program development support services on an as-requested basis, including but not limited to evaluation of additional offset categories and the development of technical and policy recommendations related to specific CO₂ Budget Trading Program elements, for evaluation and consideration by the Agency

I. Emissions and Allowance Tracking System

RGGI, Inc. shall provide services to support emissions and allowance tracking for the Rhode Island CO₂ Budget Trading Program (“Tracking System”). Such services shall be performed in two distinct phases: a) Program and Systems Development and Deployment; b) Annual Program Implementation and Support. In any area where services are requested, all deliverables will be presented to the Agency in draft form for review and ultimate approval by the Agency.

I-A. Program and Systems Development and Deployment

Program Development

RGGI, Inc. shall develop an overall program implementation plan. To the extent necessary, any subcontractors engaged by RGGI, Inc. shall have strong working knowledge of 40 CFR Part 75 and U.S. EPA’s data system to ensure that the program implementation strategy takes into account the timeliness, data processing requirements, and data availability limitations associated with U.S. EPA's emissions reporting, tracking, analysis, and data storage procedures.

Tracking Data System Requirements Collection

RGGI, Inc., in consultation with the Agency, shall develop the Tracking System to support the emissions and allowance tracking and compliance aspects, as well as the offsets component, of the Rhode Island CO₂ Budget Trading Program. The Tracking System shall also be able to track allowance prices, as reported, applicable price triggers, and appropriate offsets limits. To determine the functionality required, RGGI, Inc. shall conduct a needs assessment, involving representative groups of users, to determine the specific requirements for the application.

RGGI, Inc. shall utilize or provide similar functionality of U.S. EPA's Emissions and Allowance Tracking System as a starting point for defining these requirements. These requirements shall include, but not be limited to, functionality, security, reports, public access, and user interface.

Tracking System Design

RGGI, Inc., in consultation with the Agency, shall design the Tracking System, including a data model, user interface and functionality to support emissions inventory management, allowance trading, compliance and program analysis, and user security. RGGI Inc. shall coordinate the operation of the Tracking System with the administration of a regional allowance

auction platform. RGGI, Inc. shall also: (1) work with any independent third party hired by the Agency to verify the Tracking System software is functioning properly including potential redress; (2) if directed by the Agency, to publicly post appropriate information about the Tracking System; and (3) to work with the Agency to use ongoing experience to continuously improve the Tracking System.

Tracking System Development

Following approval by the Agency of the Tracking System data requirements and system design, RGGI, Inc. shall develop software code for the Tracking System. RGGI, Inc. shall develop a test plan and perform extensive quality assurance and unit and integrated testing for all Tracking System functionality. RGGI, Inc. shall document and provide all testing scenarios to the Agency. RGGI, Inc. shall deploy an alpha version of the application on a platform for testing and acceptance by the Agency. Following acceptance of the alpha product, RGGI, Inc. shall provide a beta version of the Tracking System for beta users selected by the Agency and RGGI, Inc., including industry users and representatives from each participating state. Finally, RGGI, Inc. shall deploy the final version of the program. As part of the system development, RGGI, Inc. shall develop system documentation, user manuals, and other training tools.

Tracking System Hosting

To support the Tracking System Internet application and database in a secure data environment, RGGI, Inc. shall contract with a third-party vendor to establish dedicated hosting for the database. This will also serve as the environment for alpha and beta testing. Using preliminary research on the capability and cost associated with a variety of hosting options, to include all appropriate security requirements for Application Service Providers (ASPs), RGGI, Inc. shall refine this analysis and subcontract with the selected ASP. Prior to executing any subcontract, RGGI, Inc. shall provide all relevant information relating to capability, cost, and subcontract terms for the recommended ASP and two alternatives, to the Agency for approval. The successful subcontracted ASP will have acceptable plans, to be reviewed by both the Agency and RGGI, Inc., for loss or disaster recovery and business continuance.

Emissions Data Tracking and Processing Development

In order for the Agency to use the emissions data reported to U.S. EPA under 40 CFR Part 75 for purposes of determining source compliance with the requirements of the Rhode Island CO₂ Budget Trading Program, a process and supporting data management tools and software must be developed. The procedures relating to this task area shall be developed by RGGI, Inc. and any necessary coordination or agreement with U.S. EPA regarding use and access to the emissions data shall be resolved. RGGI, Inc. shall also develop a detailed plan for accomplishing this task. To the extent possible, RGGI, Inc. shall use existing emissions management routines to accomplish this objective.

The end result shall be the establishment by RGGI, Inc. of emissions data management tables consistent with the Tracking System design, so that the emissions values for the compliance period are available to the Agency for true-up purposes.

Offsets Module

RGGI, Inc. shall provide a Tracking System software platform that includes an offsets module to track offset project status, including project submittals, approvals, and supporting documentation, and maintain CO₂ allowances awarded to approved offset projects. RGGI, Inc. shall coordinate with the appropriate representatives of the Agency to support administration of the offsets component of the Rhode Island CO₂ Budget Trading Program to ensure that the offsets applications and submittal materials used by the Agency align with the capabilities and needs of the Tracking System.

The offsets module of the Tracking System shall have the functionality to track and monitor offsets project status details, such as the status of consistency applications and monitoring and verification submittals, as well as provide for public access to project documentation supporting such applications and submittals.

Tracking System Reports

The Tracking System software provided by RGGI, Inc. shall include a reports module to provide system users with reports of system data. These shall include, but may not be limited to: account allowance transfer reports, account holdings reports, CO₂ emissions reports, offsets reports, and source compliance summary reports.

I-B. Program Operation

In the program operation phase of the project, RGGI, Inc. shall provide ongoing implementation and operational support for the Tracking System, including the tasks outlined below.

Allowance Program Management

Consistent with the implementation plan developed during the design and system development phase of the project, RGGI, Inc. shall provide implementation support to the Agency for all program activities relating to source management, allowance allocations to compliance and general accounts, and trades for both general and compliance accounts. This shall include the activity necessary to support the assignment of allowances to appropriate accounts following the successful completion and Agency approval of all allowance auctions, as well as the population of user accounts after Agency award of each offset allowance.

Emissions Data Management and Analysis

Consistent with the implementation plan developed during the design and system development phase of the project, RGGI, Inc. shall perform all data management and quality assurance tasks necessary to ensure the availability of annual CO₂ emissions data from all affected units. RGGI, Inc. shall prepare and send communications to the account representatives for affected sources relating to the interim, draft, and final emissions values. RGGI, Inc. shall

work with the Agency to identify and resolve any issues relating to the submission of emissions data, and the accuracy and completeness of the data. To the extent requested by the Agency, RGGI, Inc. shall contact industry representatives directly to resolve any outstanding issues. RGGI, Inc. shall document all issues, their resolution, and all contacts with industry representatives.

Allowance Reconciliation (True-up)

RGGI, Inc. shall assist the Agency with the compliance assessment for the Rhode Island CO2 Budget Trading Program. The tracking System shall support data entry of compliance certifications required by the program and the identification of allowances to be deducted during the compliance process. This assessment shall factor in appropriate offsets limits as a function of a source's reported emissions. These limits will be adjusted appropriately to address the price trigger mechanisms in the participating states' regulations. RGGI, Inc. shall prepare draft and final compliance reports and will provide information to the Agency's staff contacts regarding possible non-compliance.

User Technical Support

RGGI, Inc. shall provide technical support to industry, the Agency, and public users of the Tracking System. RGGI, Inc. shall record all technical support requests, inquiries, or other occurrences in a log that identifies the nature of the request or events, requestor, respondent, response provided, date(s) and time(s) of response, and amount of chargeable time expended on the request and response. Records shall be provided to the Agency's Project Manager on a periodic basis, or on demand, as requested.

As necessary, RGGI, Inc. shall provide assessments and recommendations relating to performance of the system based on the technical support levels and user feedback. RGGI, Inc. shall not be responsible for interpretation of the Agency's regulations, and/or interpretation of actions taken by the Agency in enforcement of those regulations.

System and Database Support

RGGI, Inc. shall be responsible for all aspects of Tracking System maintenance and database support and management. This shall include the database initialization and setup, ongoing database quality assurance activities, management of all user accounts and security, coordination and monitoring of the Application Service Provider support activities, database, security, and application performance, and all other tasks designed to ensure high system availability and performance. RGGI, Inc. shall provide reports to the Agency's Project Manager on all routine activities and on any events or technical issues that will affect the operation or performance of the system. RGGI, Inc. shall oversee all data backup and audit procedures to ensure the ongoing integrity of the data.

II. Allowance Auction Platform

RGGI, Inc. shall design and implement a platform for the auctioning of allowances. RGGI, Inc. shall provide auction services in three general areas: pre-auction, auction implementation, and post-auction. In any area where services are requested, all deliverables will be presented the Agency in draft form for review and ultimate approval by the Agency.

II-A. Pre-auction Services

Consultation

RGGI, Inc. shall work with Agency staff to develop a draft standard allowance purchase and sales agreement that is comparable to those developed by other participating states. In addition, RGGI, Inc. may be asked to provide general consultation to the Agency on auction design. This may include consultation on auction activity procedures and auction closing procedures.

Auction Notices

RGGI, Inc., in consultation with the Agency, shall create documents and associated information necessary to inform auction participants about details of each auction. Each notice of auction shall provide a specific description of the auction format that will be used, the quantities of allowances to be auctioned, and all applicable participation requirements. Such information shall be made available on a website created, maintained, and hosted by RGGI, Inc. specifically dedicated to RGGI auctions. RGGI, Inc. shall prepare for, host, and facilitate at least one auction participant conference prior to each auction, which shall include an option for participants to call in, as well as receive and respond to written questions submitted by conference participants.

Participant Qualification

RGGI, Inc., in consultation with the Agency, shall assist in the development of all qualification application materials and documents. RGGI, Inc. shall manage, under the direction of the Agency, the application process, including receiving and reviewing each qualification application to determine completeness and accuracy of the information submitted. RGGI, Inc. shall be responsible for collecting and managing, through a third party, all auction financial security submissions and/or escrow accounts. RGGI, Inc., in consultation with the Agency, shall be responsible for notifying bidders of their qualification status and maintaining a database of all qualified bidders.

Auction Documentation and Training

To prepare for each auction, RGGI, Inc. shall create and distribute auction materials, such as participation instructions, final auction procedures and manuals, as well as the distribution of user codes and passwords to qualified auction participants. In addition, RGGI, Inc. shall be responsible for training auction participants in the use of the auction software platform.

II-B. Auction Implementation Services

Auction Platform

RGGI, Inc. shall provide and administer, on behalf of the Agency, an online auction platform capable of accommodating an auction in all of the following formats:

- A sealed bid, uniform price auction
- An ascending price, multiple-round auction

Furthermore, the online auction platform shall be capable of managing allowance purchase limits based on specifications provided by the Agency, and simultaneous auctions of current vintage year allowances and future vintage year allowances. Such platform shall be capable of tracking bidding activity and must provide for audit level documentation of such activity, in accordance with auction monitoring protocols to be established by RGGI, Inc. in consultation with the Agency.

II-C. Post-auction Services

RGGI, Inc. shall, on behalf of the Agency, arrange for and facilitate the transfer of funds from successful bidders to an account designated by the Agency and arrange for the return of financial security to bidders. RGGI, Inc. shall also be responsible for coordinating with the operation of the Tracking System for the transfer of allowances, at the direction of the Agency, to the compliance or general accounts of the winning bidders. RGGI, Inc. shall also be required to: (1) work with any independent third party hired by the Agency to verify the results of the auction, including potential redress; (2) if directed by the Agency, to post appropriate information about auction results; and (3) to work with the Agency to use ongoing auction experience to continuously improve subsequent auctions.

III. Model Offset Consistency Applications and Monitoring and Submittal Documents

RGGI, Inc. shall develop model offset consistency applications and model monitoring and verification report submittal forms for each eligible offset category, suitable for customization by the Agency.

RGGI, Inc. shall design model application and submission materials to facilitate monitoring of the Agency's offset project approval process by market observers and other participating states. All materials developed by RGGI, Inc. shall be consistent with the Model Rule criteria. The application and submission materials shall be more specific than the Model Rule criteria outlined in Sections XX-10.3, XX-10.5, and XX-10.7, with regard to required documentation. In developing these materials, RGGI, Inc. shall coordinate with the development of the Tracking System to ensure that the applications and submittal materials align with the capabilities and needs of the Tracking System. RGGI, Inc. shall develop the following specific application and submittal materials:

- RGGI, Inc. shall develop general consistency application materials, including application instructions (Model Rule section XX-10.1 through section XX-10.4).
- RGGI, Inc. shall develop category-specific consistency application materials, including application instructions, for each eligible offset project category (Model Rule subsection XX-10.3(b) and section XX-10.5). Consistency application forms shall call for required documentation in a format that will facilitate regulatory agency evaluation of the project against the Model Rule requirements.
- RGGI, Inc. shall develop monitoring and verification submittal forms, including submittal instructions, for each eligible offset project category (see Model Rule section XX-10.5 and section XX-10.7). Monitoring and verification report submittal forms shall call for required documentation in a format that will facilitate regulatory agency evaluation of the project against the Model Rule requirements. The materials shall be more specific than the Model Rule criteria outlined in Sections XX-10.5 and XX-10.7, with regard to required documentation.

IV. Model Offset Guidance Documents

RGGI, Inc. shall develop model generic and category-specific offset project guidance documents suitable for customization by the Agency.

The model guidance developed by RGGI, Inc. shall be detailed and easily understandable by project developers (including small businesses or other parties that may lack experience in carbon offset markets) and by regulatory agency staff, regarding submittal requirements and evaluation of specific offset projects against the Model Rule requirements. Materials shall be designed to reduce project developer time in meeting submittal requirements, to the extent practicable, and regulatory agency staff time in reviewing projects.

The model guidance documents developed by RGGI, Inc. shall explain the intent and letter of the RGGI Model Rule provisions and address any ambiguities in the Model Rule provisions, or provisions that may require clarification as to how they apply to specific types of projects. Any interpretive material shall be consistent with the Model Rule criteria and shall be reviewed with the appropriate representatives of the Agency and the participating states.

While the Model Rule offset provisions are very detailed, and the current eligible categories are limited, many different types of projects may be eligible under the existing Model Rule requirements. Therefore questions about the applicability of specific Model Rule requirements to individual offset projects are certain to arise. RGGI, Inc. shall identify project scenarios that address questions that are likely to arise in the course of the offset application and approval processes, based on the expertise of RGGI, Inc. staff, other offset program experience, and communication with the appropriate representatives of the Agency and the participating states.

RGGI, Inc. shall develop the following specific guidance document materials:

- RGGI, Inc. shall develop a single, comprehensive model generic guidance document that provides an overview of Model Rule Subpart XX-10 and the process for application and approval of offset projects, submittal of monitoring and verification reports, and the award of offset allowances.
- RGGI, Inc. shall develop six (6) category-specific model guidance documents, for each of the eligible offset categories in the Model Rule. These shall explain, step-by-step, the process, including information submittal requirements and format, by offset category, for consistency applications, approval of offset projects, and submittal of monitoring and verification reports as required in Model Rule sections XX-10.3, XX-10.4, XX-10.5, and XX-10.7.

V. Accreditation Process and Training Program for Independent Verifiers of Offset Projects

RGGI, Inc. shall develop a process for the accreditation of independent offset project verifiers and a related training program, consistent with the requirements of Model Rule section XX-10.6, that can be customized and used by the Agency in accrediting independent offset verifiers.

RGGI, Inc. shall develop a formalized accreditation process and training program for independent verifiers that meets the requirements of the RGGI Model Rule, including the following:

- A process for the accreditation of independent verifiers, including review of qualifications of candidate verifiers
- A process for evaluation of candidate verifier conflicts-of-interest (COI)
- A training course for candidate verifiers (including supporting training materials)
- Application materials for accreditation

RGGI, Inc. shall develop a formalized process that can be customized for use by the Agency to support on-going Agency review of potential verifier conflict-of-interest situations, including the following:

- Submittal forms for accredited verifier disclosure of potential COI information to be submitted and reviewed by regulatory agencies prior to the verifier engaging in work with an offset project developer
- Guidance materials to support regulatory agency staff review of COI

In developing these materials, RGGI, Inc. shall provide a review of existing greenhouse gas independent verifier accreditation standards and processes used by other voluntary and mandatory greenhouse gas management or regulatory programs, and incorporate, if appropriate, elements of these into the materials developed for the Agency. RGGI, Inc. shall provide a brief evaluation of the standards and processes reviewed.

VI. Market Monitoring

RGGI, Inc. will provide market monitoring services in three general areas: monitoring and auditing of allowance auctions, monitoring of relevant secondary allowance market activity, and provision of consultative services addressing market monitoring.

VI-A. Monitoring and Auditing of RGGI Allowance Auctions

RGGI, Inc. will provide professional monitoring of all RGGI regional allowance auctions, some of which may involve a subset of the RGGI participating states and may or may not include allowances submitted for auction by the Agency. RGGI, Inc. will develop data collection methods, metrics, and analytic techniques for monitoring auction performance and thresholds for identifying any collusion, market power, and/or market manipulation that may impact the efficiency and performance of the RGGI auctions.

VI-B. Monitoring of Secondary Market Behavior

RGGI, Inc. will monitor all relevant publicly available data and indicators of market behavior (available through both public and private sources) in the secondary allowance market that may be expected to significantly impact the performance of RGGI auctions and the secondary allowance market.

VI-C. Consultative Services

RGGI, Inc. will provide expert advice to the Agency regarding how any aspects of the auction process should be altered in order to improve the performance and efficiency of the RGGI auctions and ensure the functioning of a fair and competitive primary (auctions) and secondary allowance market.

VII. Program Development Support

RGGI, Inc. shall provide program development support to the Agency on an as-requested basis to facilitate Agency consideration of potential modifications to and/or expansion of the Rhode Island CO₂ Budget Trading Program. Such services may include but are not limited to

VIII. Project Reporting

RGGI, Inc. shall designate a Project Manager, who shall be the one point of contact with the Agency. The Project Manager shall be responsible for monitoring and ensuring progress for all tasks and subtasks, and for ensuring timely delivery of all deliverables outlined in this scope of work. The RGGI, Inc. Project Manager shall be responsible for all project reporting to the Agency.

RGGI, Inc. shall submit quarterly progress reports every three months to the Agency during the project term. These progress reports shall outline the status of progress in providing the deliverables specified in the scope of work, including identification of all completed/not completed work during the preceding three-month period for every major task identified in the scope of work. These progress reports shall also note any problems encountered by RGGI, Inc. and their actual or proposed resolution. At the end of the project term, RGGI, Inc. shall prepare and submit a draft final report that provides a description and summary of all major work tasks and submitted deliverables. The draft final report shall be revised within 60 days to address all Agency comments, and RGGI, Inc. shall submit a final report addressing all such comments.

In any area where deliverables will be provided, such deliverables shall be presented to the Agency in draft form for review and ultimate approval by the Agency.