



Setting the Standard

Designing a RGGI CO₂ Cap for
National Leadership

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RGGI Stakeholder Meeting

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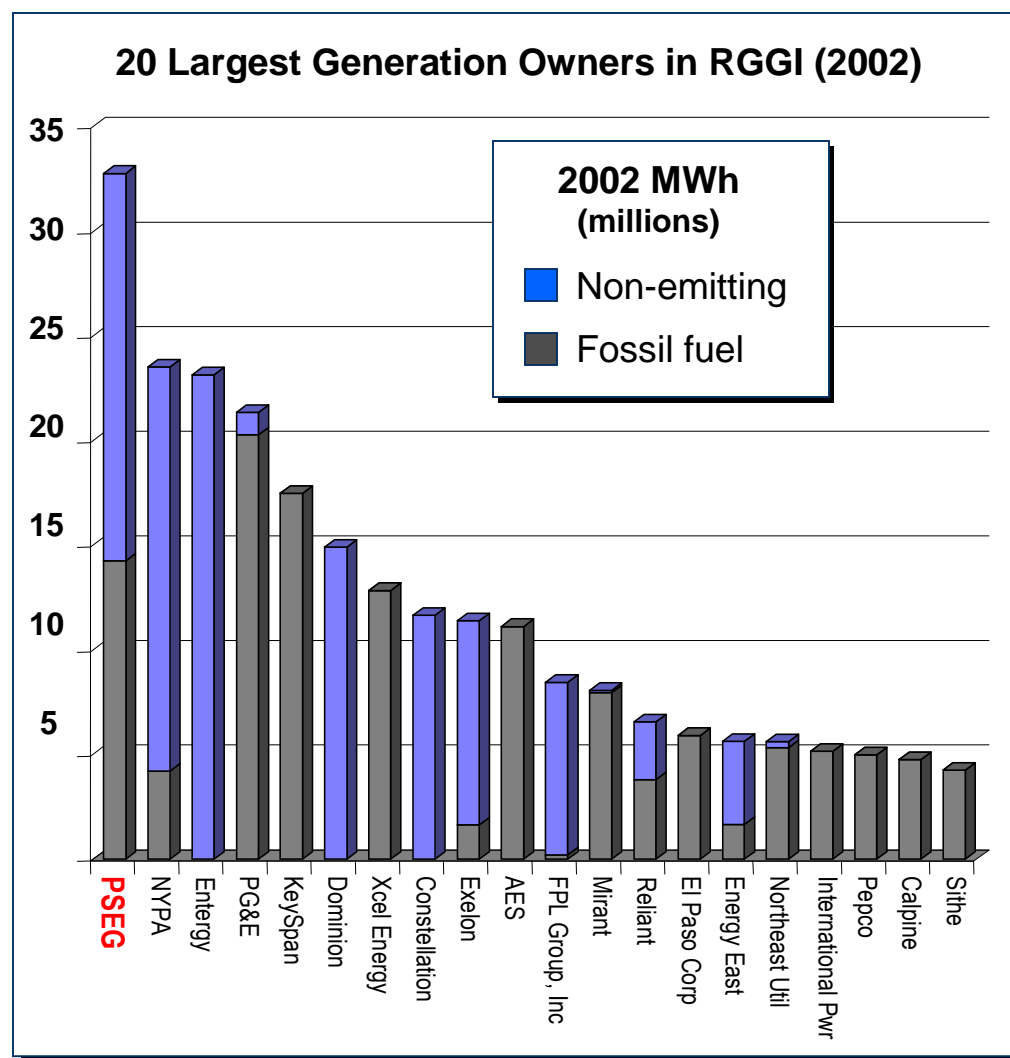
New York City





PSEG: Leadership & Collaboration

- **Largest electric generator in region**
 - 10,118 MW
 - 32 million MWh
 - Diverse fuel mix
- **Supporter of regional & national emissions reduction programs**
 - OTC NOx MOU
 - EPA NOx SIP Call
 - Federal multi-pollutant legislation
- **Committed to working collaboratively with RGGI stakeholders**



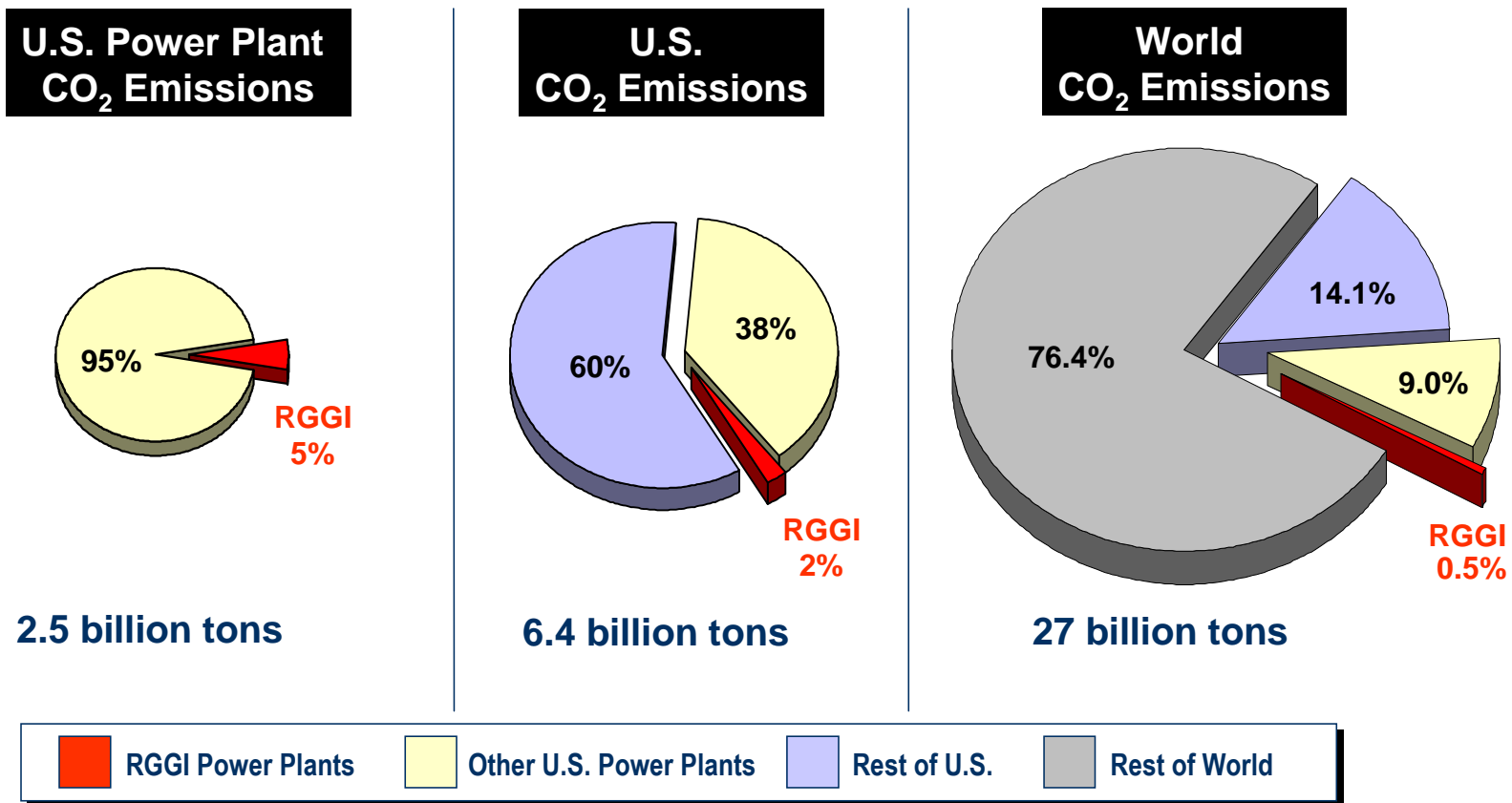


What are major factors in establishing Cap?

- **This is a long term process (an endurance event not a sprint)**
- **The northeast states are a small part of the problem**
- **The northeast is relatively lower carbon emitting than the rest of the country**
- **This program is bisecting one of the largest energy markets in the U.S. and market functionality and scope is emerging from redesign**
- **Electricity prices in region are generally higher than the rest of the country**
- **Scope of flexibility mechanisms**



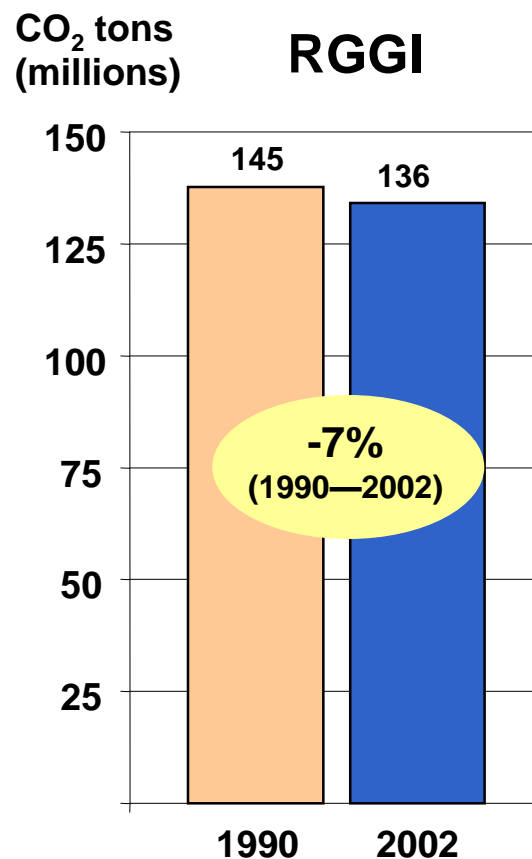
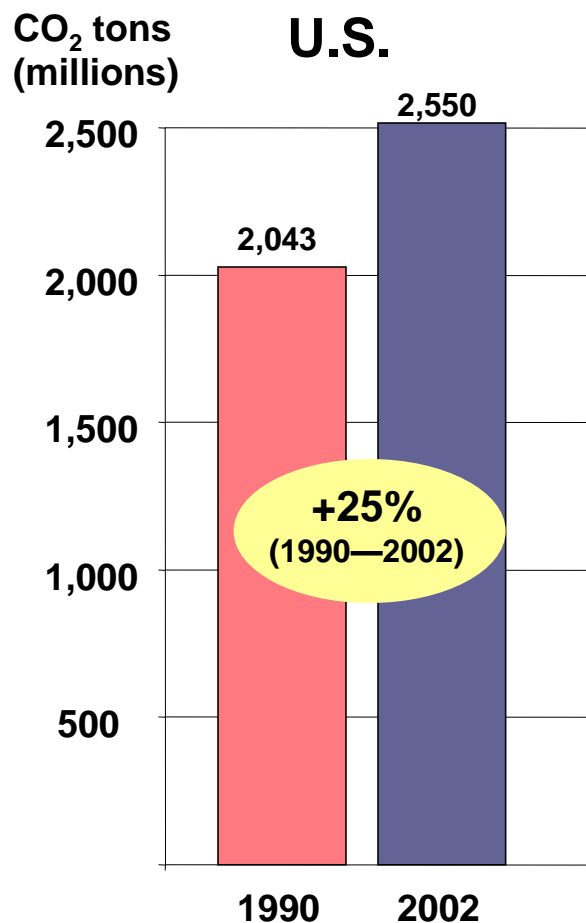
RGGI CO₂ Emissions in Perspective



- ➡ RGGI should aim to establish precedent and provide national leadership
- ➡ RGGI program should be positioned to adapt to national program as it develops



US vs. RGGI Electric Generator CO₂ Emissions 1990—2002



➔ U.S. EG CO₂ emissions have grown 25% since 1990

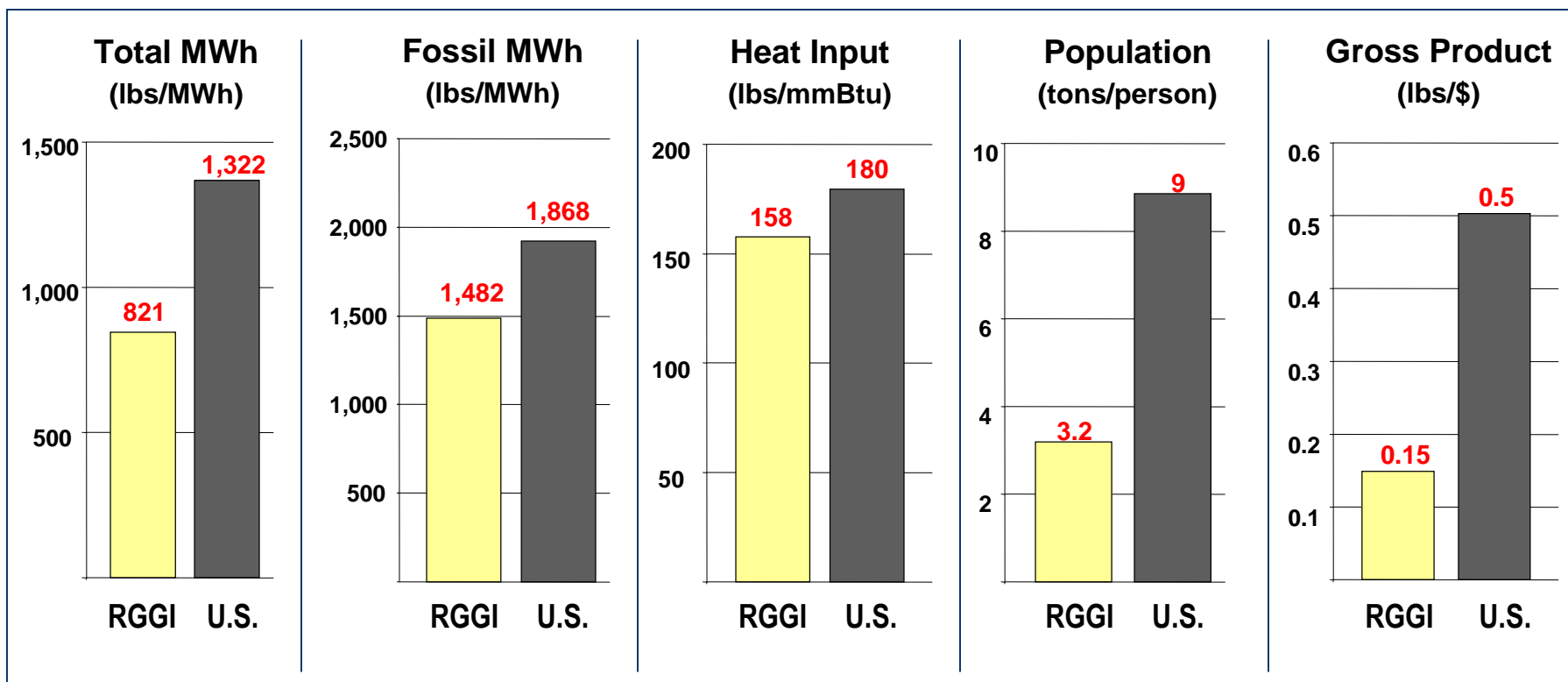
➔ RGGI region CO₂ emissions have decreased 7% since 1990

➔ RGGI positioned to maintain national leadership role



RGGI Electric Generator 2002 CO₂ Emissions Rates are Low Compared to U.S.

RGGI vs. U.S. CO₂ Emissions Rates (2002)





Where should Regional Cap be Set?

- **Establish regional Cap for modeling purposes based on 1990 emissions**
 - 1990 is a standard year in climate change discussions and foundation for harmonizing with national and international programs
 - What levels to model?
 - 1990 levels by 2020
 - Current stabilization by 2020
 - 10% below 1990 by 2020
- **Changes in Cap over time**
 - Fix Cap for minimum initial period (3-5 years)
 - Establish gradual trajectory in multi-year increments to achieve Cap target



Program Mechanics

- **Allocation methodology**
 - Recognize efficiency and low emissions generation
 - Baseline period--average of current 3-yrs (2000-2002)
 - Fossil MWh plus...
- **Circuit breakers**
- **Offset credits**
- **Rely on experience gained from existing programs**



Other Considerations

- **Timing**
 - 2010-2015 implementation
 - Must allow for fuel mix and fleet changes
 - Emphasize orderly program implementation—let's get it right the first time
- **Geography**
 - CO₂ is not a regional issue
 - Seek to include other states (CA, other?)
 - Review opportunities to trade with other Countries (Europe)
- **Expansion to other sectors**
- **Broader participation and coverage would provide powerful national leadership**