

Regional Greenhouse Gas Initiative (“RGGI”) Stakeholder Group

Outline of Key Policy Issues For April 2nd Meeting

- I. Initial Policy Foundation. The program goal outlined in the RGGI¹ action plan endorsed by the RGGI agency heads on September 29, 2003, identified several key policy decisions, including:
 - (A) to develop a multi-state cap-and-trade program for greenhouse gas emissions (GHGs);
 - (B) initially cover carbon dioxide (CO₂) emissions;
 - (C) initially cover power plants;
 - (D) agree on program design by April 2005; and
 - (E) consider expanding the program to other kinds of sources in a future phase of the program.

- II. Policy Issues and Questions.
 - (A) Technical Groundwork.
 - (1) What data sources will we use for assembling inventory?
 - (2) What energy economic modeling should be done?
 - (3) What macro-economic modeling and analysis should be done?

 - (B) Program Applicability.
 - (1) What electric generators will be covered under the cap?
 - (2) Will other stationary sources be permitted to opt-in under the cap, and under what conditions?

¹ The RGGI document entitled “Regional Greenhouse Gas Initiative (RGGI): Goals, Proposed Tasks, and Short Term Action Items” (the “Action Plan”) establishes the Staff Working Group (SWG), which consists of representatives of participating states’ environmental and energy regulatory agencies.

- (C) Emissions Cap
 - (1) What will the collective regional CO₂ emissions cap be?
 - (2) What will be the size of each state's CO₂ emissions cap?
 - (3) Will the cap be instituted once or phased in over time?
 - (4) How will the cap level be reassessed in the future?
- (D) Flexibility Mechanisms.
 - (1) Offsets or Project-Based Reductions.
 - (a) Will greenhouse gas emissions offsets or project-based reductions be credited toward compliance under the cap?
 - (b) If so, what offsets will be permitted, emissions reductions, avoided emissions and/or sequestration?
 - (2) Other Flexibility Mechanisms.
 - (a) Should the banking of allowances be permitted?
 - (b) Should the borrowing of allowances be permitted?
 - (c) How often will sources be required to spend allowances to cover emissions (i.e., "true-up")?
- (E) Allocations.
 - (1) How will each state's cap be allocated?
 - (2) Will a uniform regional allocation method be chosen or will states choose different allocation methods?
 - (3) Will auctions, output-based, input-based, or another allocation method be chosen?
 - (4) Will allocations be made only to sources covered by the cap or will they be made to non-emitting generators?

- (5) How will new sources be handled?
 - (6) How will retired sources be handled?
 - (7) How will re-powering of units be handled?
- (F) Regional Greenhouse Gas Registry (“RGGR”) and Emissions and Allowance Tracking.
- (1) What role will the Regional Greenhouse Gas Registry (RGGR) play in relation to RGGI?
 - (2) How will emissions and allowances be tracked under the program?
- (G) Other Policy Decisions.
- (1) Will there be Interaction with Other GHG Trading Systems?
 - (2) If leakage is shown to be an issue, what policy mechanisms are available to control or mitigate leakage?
 - (3) What measurement, monitoring and reporting requirements will apply to sources under the cap?
 - (4) What enforcement penalties will be imposed for noncompliance?
 - (5) How will ongoing administration of the program be financed?