

## REGIONAL GREENHOUSE GAS INITIATIVE

### Amendment to Memorandum of Understanding

WHEREAS, the States of Connecticut, Delaware, Maine, New Hampshire, New Jersey, New York, and Vermont (the “Signatory States”) entered into a Memorandum of Understanding (the “MOU”) dated as of December 20, 2005; and

WHEREAS, the MOU contains the Signatory States’ mutual understandings and commitments related to the Program (as defined in the MOU); and

WHEREAS, the MOU called for the Signatory States to work cooperatively to develop a model rule that could be proposed in each Signatory State; and

WHEREAS, after developing an initial draft of the model rule and receiving significant stakeholder input on that draft, the Signatory States have decided to make certain minor modifications to the provisions of the MOU related to the compliance period and safety valve triggers; and

WHEREAS, Section 8 of the MOU provides that the MOU may be amended in writing upon the collective agreement of the authorized representatives of the Signatory States.

NOW, THEREFORE, the undersigned authorized representative of the Signatory States hereby amend the understandings and commitments contained in the MOU as follows:

1. CHANGE TO COMPLIANCE PERIOD SAFETY VALVE

The second full sentence of Section 2.E.(2)(a) of the MOU is hereby deleted and replaced with the following new Section 2.E.(2)(a):

- (a) Safety Valve Trigger. If, after the Market Settling Period (as defined below), the average regional spot price for CO<sub>2</sub> allowances equals or exceeds the Safety Valve Threshold (defined below) for a period of twelve months on a rolling average (a “Safety Valve Trigger Event”), then the compliance period may be extended by one year, for a maximum compliance period of 4 years.

2. CHANGE IN INITIAL OFFSET TYPES

Section 2.F.(1)(b) is hereby revised to delete the reference to “projects to reduce fugitive methane emissions from natural gas transmission and distribution.”

3. CHANGE TO PROVISION TO ENSURE CREDIBILITY OF OFFSETS OUTSIDE SIGNATORY STATES

Section 2.F.(2)(a) is hereby deleted and replaced with the following new Section 2.F.(2)(a):

- (a) Geographic Location of Offset Projects. Offset allowances may be awarded to projects located anywhere inside the United States, provided offset allowances for projects located outside the Signatory States shall be awarded only if the state or jurisdiction where the project is located has:
- (1) established a cap-and-trade program in which a specific tonnage limit has been placed on the greenhouse gas emissions from one or more significant economic sectors in such state; and/or
  - (2) entered into a memorandum of understanding with the implementing environmental agencies in the Signatory States, pursuant to which the state or other jurisdiction agrees to carry out certain administrative responsibilities to ensure the credibility of offset allowances from that state or other jurisdiction.

4. CHANGE TO OFFSET TRIGGER

Section 2.F.(3)(a) and 2.F.(3)(b) are hereby deleted and replaced with the following new sections:

- (a) Offsets Trigger. If, after the Market Settling Period (defined above), the average regional spot price for CO<sub>2</sub> allowances equals or exceeds \$7.00 (2005\$) per ton for a period of twelve months on a rolling average (an “Offsets Trigger Event”), then the percentage of offsets that a source may use to cover its emissions shall increase to 5.0% of its reported emissions for the compliance period in which the Offsets Trigger Event occurs.

- (b) Offset Trigger Reset. After an Offset Trigger Event, the limits on use of offsets set forth in Section F.2. shall once again apply commencing at the start of the subsequent compliance period.

5. CHANGE TO SAFETY VALVE OFFSETS TRIGGER

Sections 2.F.(4)(a) and 2.F.(4)(b) shall be deleted and replaced with the following new sections:

- (a) Safety Valve Trigger. Upon occurrence of a Safety Valve Trigger Event:
  - (1) offset allowances may be awarded for the retirement of allowances or credits from international trading programs; and
  - (2) the percentage of offsets that a source may use to cover its emissions shall increase to 10.0% of its reported emissions for the entire compliance period during which the Safety Valve Trigger Event occurs.
- (b) Safety Valve Trigger Reset. After a Safety Valve Trigger Event, the limits on use of offsets set forth in Section F.2. shall once again apply commencing at the start of the subsequent compliance period.

6. DECEMBER 20, 2005 MEMORANDUM OF UNDERSTANDING

Except as modified by this Amendment, the understandings and commitments contained in the MOU among the Signatory States remain as stated in the MOU.

[Signatures on Next Page]

**This Amendment to the Memorandum of Understanding on the Regional Greenhouse Gas Initiative signed as of the 8<sup>th</sup> day of August, 2006.**

**THE STATE OF CONNECTICUT**

**M. JODI RELL, GOVERNOR**

**By: \_\_\_\_\_  
Her authorized representative**

**By: \_\_\_\_\_  
Her authorized representative**

**This Amendment to the Memorandum of Understanding on the Regional Greenhouse Gas Initiative signed as of the 8<sup>th</sup> day of August, 2006.**

**THE STATE OF DELAWARE**

**RUTH ANN MINNER, GOVERNOR**

**By: \_\_\_\_\_  
Her authorized representative**

**By: \_\_\_\_\_  
Her authorized representative**

**This Amendment to the Memorandum of Understanding on the Regional Greenhouse Gas Initiative signed as of the 8<sup>th</sup> day of August, 2006.**

**STATE OF MAINE**

**JOHN BALDACCI, GOVERNOR**

**By: \_\_\_\_\_  
His authorized representative**

**By: \_\_\_\_\_  
His authorized representative**

**This Amendment to the Memorandum of Understanding on the Regional Greenhouse Gas Initiative signed as of the 8<sup>th</sup> day of August, 2006.**

**STATE OF NEW HAMPSHIRE**

**GOVERNOR JOHN LYNCH**

**By: \_\_\_\_\_**  
**His authorized representative**

**By: \_\_\_\_\_**  
**His authorized representative**

**This Amendment to the Memorandum of Understanding on the Regional Greenhouse Gas Initiative signed as of the 8<sup>th</sup> day of August, 2006.**

**STATE OF NEW JERSEY**

**JON CORZINE, GOVERNOR**

**By: \_\_\_\_\_  
His authorized representative**

**By: \_\_\_\_\_  
His authorized representative**

**This Amendment to the Memorandum of Understanding on the Regional Greenhouse Gas Initiative signed as of the 8<sup>th</sup> day of August, 2006.**

**STATE OF NEW YORK**

**GEORGE E. PATAKI, GOVERNOR**

**By: \_\_\_\_\_  
His authorized representative**

**By: \_\_\_\_\_  
His authorized representative**

**This Amendment to the Memorandum of Understanding on the Regional Greenhouse Gas Initiative signed as of the 8<sup>th</sup> day of August, 2006.**

**STATE OF VERMONT**

**JAMES DOUGLAS, GOVERNOR**

**By: \_\_\_\_\_**  
**His authorized representative**

**By: \_\_\_\_\_**  
**His authorized representative**