



Regional Greenhouse Gas Initiative (RGGI)
Memorandum of Understanding in Brief

The Regional Greenhouse Gas Initiative (RGGI) Memorandum of Understanding (MOU) represents a historic agreement by the governors of seven Northeast states to address the challenge of climate change while increasing energy efficiency investments and stimulating emerging clean energy technology markets. This MOU is the culmination of more than two years of cooperative work by the states, with extensive input from stakeholders.

Key provisions of the MOU include:

- An agreement to stabilize carbon dioxide emissions from the region's power plants at current levels from 2009 to the start of 2015, followed by a 10% reduction in emissions by 2019.
- Each state may allocate allowances from its CO₂ emissions budget as it determines appropriate, except that all states agree that 25% of their allowances will be allocated for consumer benefit or strategic energy purposes.
- The program will allow emissions offsets to be used for compliance, where real reductions of greenhouse gases are achieved outside the regulated sector. Eligibility requirements and offset types are listed in the MOU. Additional offset types will be added over time. The MOU specifies limits on the use of offsets, and when additional offsets will be allowed if needed to moderate price impacts.
 - If the average price of an emission allowance remains below \$7.00, offsets may be used from across the United States, with a 50% discount for offsets from outside the RGGI region. Each generator is allowed to use offsets to cover up to 3.3% of its emissions.
 - If the average price on an emission allowance rises above the \$7.00 "Offset Trigger," offsets would be allowed from across North America at a 1:1 ratio and each generator may use offsets to cover up to 5% of its emissions.

- A “Safety Valve Offsets Trigger” at \$10 would further increase the geographic availability of offsets to include international projects and each generator may use offsets to cover up to 20% of its emissions.
- A “market settling period” of 14 months is required before either trigger applies. There is a “reset provision” associated with each trigger that returns the program requirements in the subsequent compliance period to those in effect prior to a trigger event.
- Demonstration of compliance will be required every three years.
- Each state may grant early reduction credits for projects undertaken after the MOU is signed and prior to 2009.
- The banking of allowances, offset allowances and early reduction credits will be allowed without limitation.
- The states will collectively develop a model rule to serve as the framework to establish the program. A regional organization will be established to facilitate the ongoing administration of the program.
- The MOU provides for the addition and withdrawal of states.
- The states will monitor the progress of the program on an ongoing basis, with a comprehensive review to be held in 2012 to examine all aspects of the program.
- Each state will maintain and expand energy policies to improve energy efficiency, decrease the use of higher polluting electricity generation and to maintain unfettered economic growth. Further, they will take steps to encourage the development of non-carbon emitting generation and related technologies.