

Considerations in Setting the Level of the RGGI Cap

Bob Teetz

Director, Environmental Engineering & Compliance

RGGI Stakeholder Meeting

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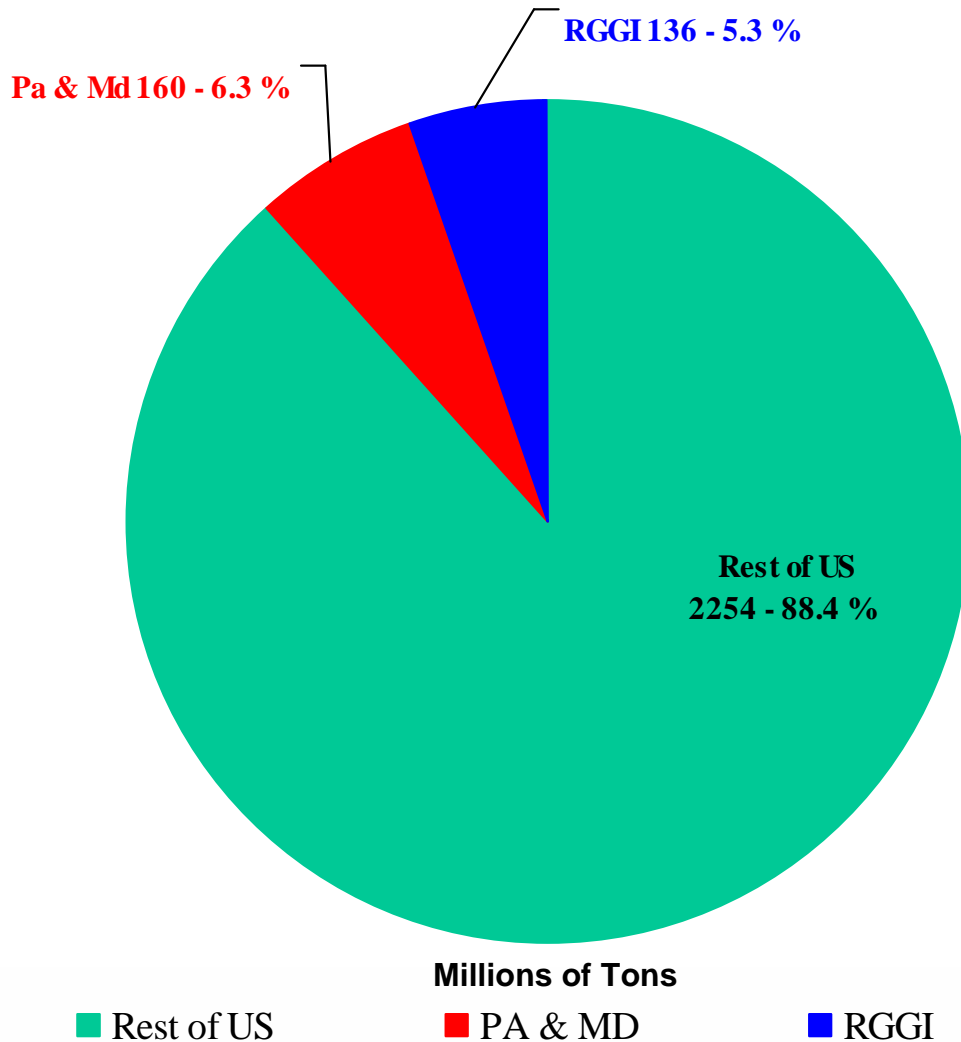


- **Natural Gas Distribution - Northeast**
- **Electric Generation - NY**
- **Advocate of mandatory nationwide CO₂ reductions from all sectors**
- **Clean Energy Group - Carper 4P bill**

RGGI – Measures of Success

- **Did RGGI pave the way toward a national program that includes multiple sectors and multiple GH gases?**
- **Were impacts on fuel diversity, leakage, electric reliability and regional business competition tolerable?**
- **Did RGGI lead to a measurable Global Climate Change benefit?**
- **Would the RGGI ratepayer agree that the effort was worth the price?**

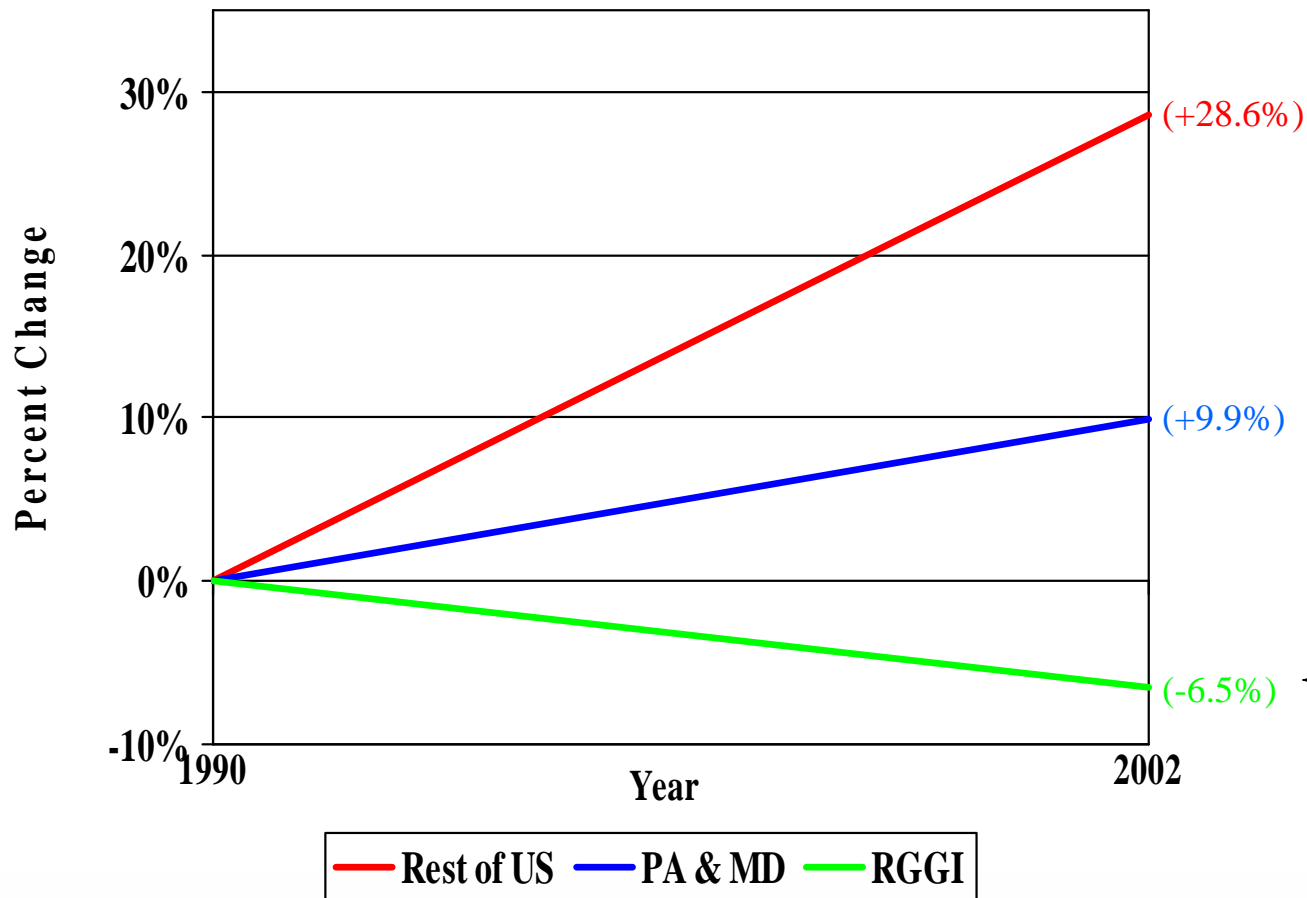
U.S. CO₂ Power Plant Emissions 2002



Emission Rates (lbs/mwhr)

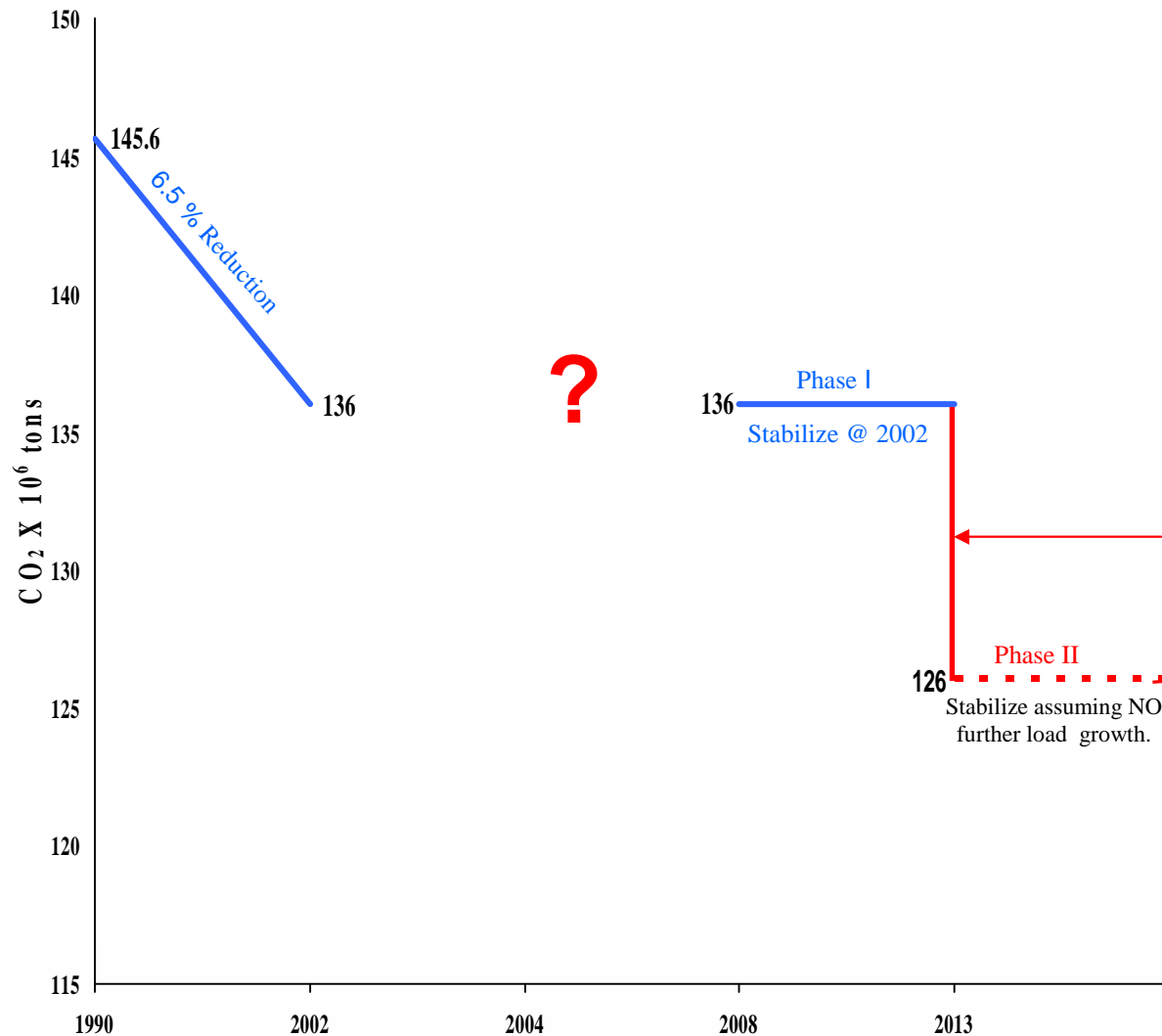
- RGGI - 820
- Pa & Md - 1265
- Rest of US - 1377

Percent Change CO₂ Tons



RGGI reductions already surpass KYOTO participating country reduction target of 5.2 % from 1990 by 2012

First Iteration CO₂ Modeling Target



PHASE II HIGHLY AGGRESSIVE- PROBABLY NOT ACHIEVABLE DEFINITELY NOT SUSTAINABLE

- Would require entire RGGI Region to achieve CO₂ reductions equivalent to those hoped to be achieved by NY RPS (7 %).
- Represents a 13.5 % reduction from 1990 levels by 2013.
- Assumes 1 % per year load growth between 2002 -2013.
- Would require RGGI avg. emission rate to improve by 6 % from 820 lbs/mwhr (2002) to 770 lbs/mwhr (2013).

Model Output

Toleration Constraints

- **Individual state wholesale electric generation rates must not increase more than say 3 - 5%. (eg. similar to postulated NY ADRP)**
- **Electric leakage must not increase more than 0.5% beyond current levels (every 0.5% of energy leakage results in about 1 million tons of CO₂ emitted in Pa-Md.)**
- **Fuel diversity and electric and gas reliability must not be significantly impaired. States must support LNG terminals and pipeline infrastructure projects.**
- **Existing nuclear and hydro generation comprises over 40% of the existing RGGI non-emitting energy. Any change requires re-evaluation of the cap and multi year true up period.**