

# Temporal Flexibility in the Context of RGGI

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# Temporal Flexibility and Regional Cap Size Decisions Are Related

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# Temporal Flexibility Mechanisms

- Banking
- Borrowing
- True-up Period
- Early Reductions

# Banking

- Benefits
  - Would allow facilities to carry-over unused allowances to future years.
- Challenges
  - Few

# Borrowing

- Benefits
  - Allows the use of future year allowances during the current year
- Challenges
  - Managing Default Risk
  - Administrative Complexities
    - Allowance Tracking System capabilities?
    - Interest Calculation?

# Borrowing Options

- Include Borrowing
- Do Not Include Borrowing
- Include Borrowing for a Narrow Set of Circumstances

# True-up Period

- True-up period
  - a year minimum
  - longer?
- Benefits
  - Possible administrative savings
  - Spreading short-term demand over a longer timeframe
- Challenges
  - Inconsistent with other programs (e.g. Acid Rain)

# Credit for Early Reduction

- Benefit
  - Creating an incentive for early action
- Challenge
  - Designing requirement(s) for quantifying early reductions

# Possible Requirements for Quantifying Early Reductions

- Reductions must result from controlling an emission rate below the more stringent of:
  - A Facility's Baseline
  - A Specified Average Emission Rate
  - Normalized for capacity utilization (e.g., accounting for weather related changes)

# Overarching Question

- Do states need to be consistent in their temporal flexibility rules?