RGGI Program Review—Summary of Proposed Changes to RGGI Regional CO₂ Allowance Budget

November 21, 2013
The following slides summarize the proposed changes to the RGGI regional CO\textsubscript{2} allowance budget as a result of the 2012 RGGI program review.

More information on the proposed changes to the RGGI regional CO\textsubscript{2} allowance budget can be found in the *Updated Model Rule* (Sections XX-1.2 and XX-5.3) and *Summary of Recommendations to Accompany Model Rule Amendments* available at [http://www.rggi.org/design/program_review](http://www.rggi.org/design/program_review).
List of Proposed Changes to RGGI CO₂ Allowance Budget

- The CO₂ allowance base budget will be reduced to 91 million short tons in 2014
- The CO₂ allowance base budget will be reduced 2.5% per year for 2015-2020

- Two Interim Adjustments for Banked Allowances will be made to address the private bank of allowances held by market participants:
  - The first interim adjustment will be released no later than January 15, 2014 and will be applied to the base budget over 7 years (2014-2020)
  - The second interim adjustment will be released on March 17, 2014 and will be applied to the base budget for 6 years (2015-2020)

- Market participants may continue to bank allowances
The following presents an illustrative example of how the 2014-2020 regional CO\textsubscript{2} allowance budget and interim adjustments for banked allowances would work.

Please note that the numbers used in this example are not the actual first control period and second control interim adjustments.

Additional information would be needed to calculate the final interim adjustments including:

- Annual 2013 RGGI source emissions
- Allowances sold at upcoming auctions
- Distribution of allowances from state set aside accounts
The following illustrative example assumes:

- First control period bank of allowances is 56 million
- Second control period bank of allowances is 72 million

The first control period adjustment is made over a 7 year period (2014-2020) for an adjustment of 8 million allowances per year

The second control period adjustment is made over a 6 year period (2015-2020) for an adjustment of 12 million allowances per year

Please note that the numbers used in this example are not the actual first control period and second control interim adjustments
**Illustrative Example--Interim Adjustments for Banked Allowances (cont.)**

<table>
<thead>
<tr>
<th>Illustrative Example: How Interim Adjustments Would Apply to RGGI CO₂ Allowance Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regional Nine State CO₂ Budget</strong></td>
</tr>
<tr>
<td><strong>First Control Period Interim Adjustment (56 M)</strong></td>
</tr>
<tr>
<td><strong>After First Adjustment</strong></td>
</tr>
<tr>
<td><strong>Second Control Period Interim Adjustment (72 M)</strong></td>
</tr>
<tr>
<td><strong>After Second Adjustment</strong></td>
</tr>
</tbody>
</table>

1. There are 3,087,710 allocation year 2014 allowances in circulation. This includes 279,758 New Jersey allocation year 2014 allowances. The New Jersey allowances are in addition to the 9-state 2014 CO₂ allowance budget.

2. With the exception of the regional nine state CO₂ budget, all numbers used in this chart are examples for illustrative purposes. **These numbers are not the actual first control period and second control period interim adjustments.**

3. Due to current allocation provisions in state regulations, an estimated 124,880 allocation year 2012 and 2013 allowances in state set aside accounts may be distributed or auctioned after the second control period interim adjustment. These allowances would not be included in the interim adjustment.