

# Regional Greenhouse Gas Initiative

an Initiative of the Northeast and Mid-Atlantic States of the U.S.

## **First Control Period Interim Adjustment for Banked Allowances Announcement**

January 13, 2014

The Regional Greenhouse Gas Initiative (RGGI) is a cooperative effort of nine Northeast and Mid-Atlantic States--Connecticut, Delaware, Maine, Massachusetts, Maryland, New Hampshire, New York, Rhode Island, and Vermont--to regulate and reduce carbon dioxide (CO<sub>2</sub>) emissions from the power sector.

The Participating States conducted a comprehensive 2012 program review<sup>1</sup> and released an updated Model Rule.<sup>2</sup> In accordance with each state's independent legal authority, each of the Participating States has revised its CO<sub>2</sub> Budget Trading Program<sup>3</sup> in order to be substantially consistent with the updated Model Rule.

### **I. Interim Adjustments to CO<sub>2</sub> Allowance Base Budget for Banked Allowances**

The updated Model Rule contains language to address the private bank of allowances through two distinct interim budget adjustments.

- **The First Control Period Interim Adjustment for Banked Allowances** is a reduction to the CO<sub>2</sub> allowance base budget equivalent to the private bank of first control period allowances (allocation year 2009, 2010, & 2011).

The FCPIABA is made over the 7 year period 2014-2020.

- **The Second Control Period Interim Adjustment for Banked Allowances** is a reduction to the CO<sub>2</sub> allowance base budget equivalent to the private bank of 2012 and 2013 allocation year CO<sub>2</sub> allowances that are in addition to the total quantity of 2012 and 2013 CO<sub>2</sub> emissions.

The SCPIABA is made over the 6 year period 2015-2020. The Participating States shall determine the SCPIABA on March 17, 2014.<sup>4</sup>

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<sup>1</sup> For more information on the 2012 program review, see [http://www.rggi.org/design/program\\_review](http://www.rggi.org/design/program_review).

<sup>2</sup> The Model Rule is available at [http://www.rggi.org/docs/ProgramReview/FinalProgramReviewMaterials/Model\\_Rule\\_FINAL.pdf](http://www.rggi.org/docs/ProgramReview/FinalProgramReviewMaterials/Model_Rule_FINAL.pdf)

<sup>3</sup> For more information on state CO<sub>2</sub> Budget Trading Programs, see <http://www.rggi.org/design/regulations>

<sup>4</sup> 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.

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## II. Final First Control Period Interim Adjustment for Banked Allowances

The First Control Period Adjustment (FCPA) is 57,449,495. The First Control Period Interim Adjustment for Banked Allowances (FCPIABA) for the nine Participating States is 8,207,664 for 2014<sup>5</sup>. The 2014 regional CO<sub>2</sub> adjusted budget for the nine Participating States is 82,792,336.

The following table provides an annual breakdown of the FCPIABA from 2014 through 2020.

Table 1. First Control Period Interim Adjustment for Banked Allowances (FCPIABA)							
	2014	2015	2016	2017	2018	2019	2020
<b>Regional CO<sub>2</sub> Base Budget</b>	91,000,000	88,725,000	86,506,875	84,344,203	82,235,598	80,179,708	78,175,215
<b>First Control Period Interim Adjustment for Banked Allowances<sup>5</sup></b>	8,207,664	8,207,664	8,207,664	8,207,664	8,207,664	8,207,663	8,207,663 <sup>6</sup>
<b>Regional CO<sub>2</sub> Budget After First Control Period Interim Adjustment for Banked Allowances</b>	<b>82,792,336</b>	80,517,336	78,299,211	76,136,539	74,027,934	71,972,045	69,967,552

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 CO<sub>2</sub> allowance budget.

The Participating States shall determine the second interim adjustment to occur over the 6 year period 2015-2020 on March 17, 2014.

<sup>5</sup> Due to state regulatory requirements, CT will be deducting an additional 593 CO<sub>2</sub> allowances per year from their CO<sub>2</sub> base budget for 2014-2020.

<sup>6</sup> The amount in row 2 does not divide evenly across the 7 year period 2014-2020. Therefore, there is one less allowance in 2019-2020 than for 2014-2018.

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## III. Relevant Sections of Model Rule (Sections XX-1.2 and XX-5.3)

### XX-1.2

*First control period interim adjustment for banked allowances.* An adjustment applied to the NAME OF RELEVANT RGGI STATE CO<sub>2</sub> Budget Trading Program base budget for allocation years 2014 through 2020 to address the surplus allocation year 2009, 2010, and 2011 allowances held in general and compliance accounts, including compliance accounts established pursuant to the CO<sub>2</sub> Budget Trading Program, but not including accounts opened by participating states.

*Second control period interim adjustment for banked allowances.* An adjustment applied to the NAME OF RELEVANT RGGI STATE CO<sub>2</sub> Budget Trading Program base budget for allocation years 2015 through 2020 to address the allocation year 2012 and 2013 allowances held in general and compliance accounts, including compliance accounts established pursuant to the CO<sub>2</sub> Budget Trading Program, but not including accounts opened by participating states, that are in addition to the aggregate quantity of 2012 and 2013 emissions from all CO<sub>2</sub> budget sources in all of the participating states.

### XX-5.3

*First control period interim adjustment for banked allowances.* By January 15, 2014, the REGULATORY AGENCY shall determine the first control period interim adjustment for banked allowances quantity for allocation years 2014 through 2020 by the following formula:

$$\text{FCPIABA} = (\text{FCPA}/7) \times \text{RS}\%$$

Where:

FCPIABA is the first control period interim adjustment for banked allowances quantity in tons.

FCPA, the first control period adjustment, is the total quantity of allocation year 2009, 2010, and 2011 CO<sub>2</sub> allowances held in general and compliance accounts, including compliance accounts established pursuant to the CO<sub>2</sub> Budget Trading Program, but not including accounts opened by participating states, as reflected in the CO<sub>2</sub> Allowance Tracking System (COATS) on January 1, 2014.

RS% is RELEVANT RGGI STATE'S 2013 BUDGET DIVIDED BY THE 2013 REGIONAL BUDGET.

*Second control period interim adjustment for banked allowances.* On March 17, 2014, the REGULATORY AGENCY shall determine the second control period interim adjustment for banked allowances quantity the allocation years 2015 through 2020 by the following formula:

$$\text{SCPIABA} = ((\text{SCPA} - \text{SCPE})/6) \times \text{RS}\%$$

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Where:

SCPIABA is the second control period interim adjustment for banked allowances quantity in tons.

SCPA, second control period adjustment, is the total quantity of allocation year 2012 and 2013 CO<sub>2</sub> allowances held in general and compliance accounts, including compliance accounts established pursuant to the CO<sub>2</sub> Budget Trading Program, but not including accounts opened by participating states, as reflected in the CO<sub>2</sub> Allowance Tracking System (COATS) on March 17, 2014.

SCPE, second control period emissions, is the total quantity of 2012 and 2013 emissions from all CO<sub>2</sub> budget sources in all participating states, reported pursuant to CO<sub>2</sub> Budget Trading Program as reflected in the CO<sub>2</sub> Allowance Tracking System (COATS) on March 17, 2014.

RS% is RELEVANT RGGI STATE'S 2013 BUDGET DIVIDED BY THE 2013 REGIONAL BUDGET.