



## **POST-MODEL RULE ACTION PLAN**

(As of August 8, 2006)

### **I. Background**

In December 2005, the governors of Connecticut, Delaware, Maine, New Hampshire, New Jersey, New York and Vermont (the “participating states”) entered into a Memorandum of Understanding (“MOU”) detailing the important design components for the Regional Greenhouse Gas Initiative (RGGI). RGGI is a regional cap-and-trade program that will reduce carbon dioxide emissions from power plants in participating states, and stimulate greenhouse gas reductions outside the power sector through project-based reductions, or “offsets”. The MOU calls on the states to cooperatively develop and issue a model rule, establish a regional organization, and carry out additional work related to electricity imports.

In accordance with the MOU, on March 23, 2006, the participating states released a draft model rule for comment by stakeholders and the public. At the end of the 60-day comment period, the states had received well in excess of 100 comment letters totaling more than 1,000 pages. The participating states have completed the attached model rule after careful consideration of the extensive comments received from stakeholders.

### **II. Purpose**

The purpose of this action plan is to describe the RGGI action items that the states will undertake cooperatively after issuance of the model rule.

### **III. Action Items and Projected Completion Dates**

#### **A. Model Rule Proposal.**

As called for in the MOU, the governor of each participating state has agreed to propose regulations based on the model rule for legislative and/or regulatory adoption in his or her state by December 31, 2008. The participating

states will work cooperatively to develop technical support documents for the state proposals.

## **B. Regional Greenhouse Gas Initiative Organization**

In order to facilitate the ongoing administration of the Program, the participating states agreed in the MOU to create and maintain a regional organization (“RO”). The board of directors of the RO (“RO Board”) will consist of energy regulatory and environmental agency heads from each participating state, or their designees.

### **1. Initial RO Action Items**

(a) The states intend to establish the Regional Greenhouse Gas Initiative regional organization (RO) by carrying out the following action items during the 4th quarter of 2006:

- File the necessary legal documents to create a non-profit entity in the State of New York; and
- Develop organizational bylaws.

(b) The RO board will convene for the first time during the 2<sup>nd</sup> quarter 2007 to commence the following action items:

- Elect RO Board leadership and form committees, including a committee to conduct a search for an executive director of the RO;
- Adopt an initial budget for the RO; and
- Identify and establish an RO office.

**2. Transition to Regional Organization.** The states intend ultimately to transition the organizational responsibilities of the RGGI Staff Working Group and Imports & Leakage Working Group to the RO staff. In addition, the states may call on RO staff to coordinate multi-state working groups in specific areas, such as offsets implementation and development.

## **C. RGGI Implementation in States**

Although each state government is solely responsible for administering RGGI within its state, the participating states intend to explore additional areas where cooperation will benefit states. These areas include:

1. **Administration of Allowance Auctions.** The states intend to explore cooperative ways to administer their consumer benefit and strategic energy purpose set-asides and other allowance mechanisms through a joint regional auction.

2. **Emissions and Allowance Tracking.** As called for in the MOU, the participating states will cooperate to establish an emissions and allowance tracking system in connection with RGGI implementation.

3. **Guidance Documents.** In order to help ensure ongoing reciprocity among the states participating in RGGI, the states may develop model guidance documents to assist sources in maintaining compliance with the program.

#### **D. RGGI Offsets Program**

1. **Offsets Implementation.** The states will cooperate to ensure that the offsets component of the RGGI program will be implemented in a manner that preserves program reciprocity across states. This cooperative work may include periodic meetings among state staff and/or the development of model guidance documents. This work will commence in the 1<sup>st</sup> quarter 2007 and be ongoing.

2. **Negotiation of Memoranda of Understanding with other U.S. Jurisdictions.** The states will work together to develop appropriate criteria for entering into MOU arrangements with other U.S. jurisdictions to carry out certain administrative responsibilities related to eligible RGGI offsets in those states. This work will commence in the 1<sup>st</sup> quarter 2007 and be ongoing.

3. **Development of Additional Offset Standards.** As called for by the MOU, the participating states will evaluate new offset categories and types, prioritize those types, and develop new offset standards that are real, additional, verifiable, permanent and enforceable. This work has commenced and is ongoing.

4. **Development of Offsets Tools.** The states will explore the creation of specific evaluation tools that would help determine whether a particular offset type or project is additional even if it receives incentives from other programs. This work will commence in the 1<sup>st</sup> quarter 2007 and be ongoing.

5. **Offsets Market Evaluation.** The states acknowledge that the RGGI offsets program relies on benchmarks and performance standards based on current market conditions to determine offset project eligibility. The states will monitor market conditions going forward and consider amendments to the offset rules as market changes dictate.

**E. Imports and Leakage Working Group.**

As called for in the MOU, the participating states formed an Imports & Leakage Working Group to carry out the tasks specified in the MOU, including monitoring the electricity imports into the region and determining what mechanisms exist to address emissions associated with the potential increase in those imports due to the program. This work commenced April 1, 2006 and is ongoing. A draft report is expected to be issued by the end of December 2006, and a final report by the end of December 2007.

**F. Recruit Participation from Additional States**

1. The State of Maryland is expected to become a participating state prior to the end of the 2<sup>nd</sup> quarter 2007. The necessary groundwork for an MOU amendment has commenced and is ongoing.

2. The participating states will also work together to encourage the participation of additional states and jurisdictions in RGGI.