

MEMORANDUM

To: Regional Greenhouse Gas Initiative Agency Executives

From: Members of the Staff Working Group

Date: January 16, 2004

Re: Recommendation on Setting a Base Year

This memorandum sets out the Staff Working Group's recommendation concerning which base year emissions will serve as the basis for setting a regional cap on carbon dioxide emissions from power plants. Set out below are: (a) the policy question presented; (b) the Staff Working Group's Recommendation; and (c) a brief recap of the Staff Working Group's discussion leading to the recommendation.

The Question Presented

The Staff Working Group seeks executive guidance on what base year should be used for purposes of assembling past emissions data for the electric generating units. The base year serves as the reference year when setting an overall emissions cap for the region in the cap and trade program. The cap, in turn, determines the magnitude of the emissions reductions the program will achieve.

Recommendation

The Staff Working Group recommends that the base year be 1990. We further recommend that the decision on base year be made on a tentative basis subject to reconsideration after input from stakeholders and the public.

Discussion

A 1990 base year is consistent with much of the global climate change planning across the region, insofar as the planning calls for reductions from 1990 level emissions. Indeed, New York, New Jersey and the New England Governors/Eastern Canadian Premiers have all set one or more official reduction targets with reference to 1990 levels. New Hampshire state law uses 1990 as a base year for required reductions in its multiple pollutant reduction program. Choosing a 1990 base year also effectively gives credit to generators for early reductions that occurred after 1990.

A 1990 base year does present some challenges. First, data are not readily available for 1990 emissions of carbon dioxide because electric generating units were not required to report those emissions until 1995. As a result, emissions information will have to be derived from fuel use and generation data.

It is important to note that a decision to use 1990 as the base year for purposes of establishing a regional emissions cap does not dictate how the regional cap will be allocated to individual states. Individual state allocations will be determined at a later date after taking into account which year or set of years present an accurate, fair and representative emissions profile for each state and across the region.

Recommendation Adopted by RGGI Agency Chief Executives on January 22, 2004.