REVISED STAFF WORKING GROUP RECOMMENDATIONS AT A GLANCE (8/12/2005)

What should the Regional Emissions Cap be?

SWG recommends a **two-phase cap**: stabilize at current emissions (150,602,356 short tons) through 2015, followed by a 10% reduction between 2015 and 2020. Program to start in 2009.

What Flexibility Provisions should be incorporated?

<u>Compliance Period</u>. The Staff Working Group recommends a 3-year compliance period be incorporated in the model rule.

Banking. SWG recommends that sources be permitted to bank unused allowances and offset credits without limitation.

The SWG recommends that **Early Action Credits** should be allowed for reduction projects that take place after announcement of an agreement on a model rule and before the program starts in 2009.

Offsets. The SWG is recommending that offsets be allowed to meet up to 50% of the projected compliance obligations under the program. The proposed offset program would begin with 4 in-region offsets-Landfill Gas, afforestation, Sulfurhexaflouride (SF6) from Electricity Transmission & Distribution, and End-Use natural gas, home heating oil & propane projects. In addition, the SWG recommends allowing use of CDM credits and EU allowances, if the price of allowances reaches a set price per ton on a sustained basis.

How will RGGI States Coordinate Implementation?

The SWG is recommending a **Regional Organization** to assist the states with the implementation of RGGI.

The SWG is recommending that the states continue to pursue the design of additional offset types to be added to the RGGI program. Forest Management should be given priority.

The SWG is recommending that the tracking of emissions and allowances for the trading program be coordinated through the regional organization.

	The Model Rule		ŀ
	(w/Technical Support Document)		The SW0 function
	<u>Regional Emissions Cap</u> Two Stages: Stabilization followed by Reduction		emission
ſ			H
	State Allowance Budgets based on Various Criteria		Allocation 20% to a
	Allowance Allocation: 20% to a Public Benefit Purpose; 5% to Regional Strategic Carbon Fund;		Carbon F states.
	and remainder at the discretion of states.		
	Applicability: Units 25 MW and Greater	•	
			Applicab
	3-Year Compliance Period		to all unit greater th
١	Allow Banking without Limitation		10% of th

Grant Early Action Credits as of MOU signing

Strategic Carbon Fund

Offset Provisions

Penalties & Enforcement Similar to NOx Program

Monitoring & Reporting Similar to Federal SO₂

The MOU

Commit to Initiate Rulemaking to Adopt Model Rule

Links to other Programs and Addition of States to be Taken Up Later

Establish Regional Non-Profit Technical Assistance Organization

Future Offset Design Recommended

Emissions & Allowance Tracking/GHG Registry

G recommends that State Allowance Budgets be a of emissions, consumption, population, potential ns leakage, and provision for new sources.

ons. The SWG recommends that all states allocate a Public Benefit Purpose; 5% to the Regional Strategic Fund; and the remaining 75% at the discretion of the

bility. The SWG recommends that the program apply its with a nameplate capacity of 25 megawatts or that burn more than 50% fossil fuel and sell more than their energy output to the grid.

The SWG recommends that a regional **Strategic Carbon** Fund be established using a 5% allowance set-aside. The setaside will be used to fund additional reductions through offset projects.

The SWG recommends that the **Penalties** provisions be modeled after the NOx Budget program, and that Enforcement be left to each state consistent with their existing enforcement methods.

The SWG recommends that sources be required to **Monitor** emissions consistent with existing federal requirements. **Reporting** of emissions should be required annually.

The Draft MOU specifies that states may be added or removed from the regional program and any linking of RGGI to another program through amendment of the MOU.

How Should State Emissions Caps be Set?

Iow Should Allowance Allocations be Made?

What Sources should be Subject to RGGI?

Administrative Provisions Should Track Previous Models

How will states or programs be added or dropped?