

The Northeast Regional Greenhouse Gas Coalition

RGGI Policy Recommendations CO₂ Cap Level and Timing



As a stakeholder in the Regional Greenhouse Gas Initiative, the Northeast Regional Greenhouse Gas Coalition (the GHG Coalition) has been evaluating alternative design options for a CO₂ cap-and-trade program in the Northeast. The GHG Coalition has developed a comprehensive policy framework outlining its recommendations for the design of the RGGI program. This one-pager summarizes GHG Coalition recommendations regarding the CO₂ cap level and timing.

Decisions as to the levels and timing of a regional CO₂ cap for the electric generating sector need to be made in context. For example, state and regional GHG policies are already in place; electricity prices are already relatively high in the region; electric reliability, fuel supply, and fuel diversity continue to be important concerns; and regional CO₂ emissions and emissions intensity are relatively low compared to the rest of the nation. Also, cap levels cannot be chosen without consideration of the scope of the flexibility mechanisms that will be available. The Coalition does not provide a specific recommendation for the level and timing of the cap at this time. The IPM modeling currently under development should help inform this decision, and we will revisit the issue when the results are available. In the meantime, the GHG Coalition offers the following general recommendations:

- the CO₂ cap level should be reasonable to attract other states to participate in the program;
- the electricity sector should bear its share of the economy wide GHG emission reduction burden but, clearly, not the burden of the entire economy wide goals;
- there should be a gradual/stepped declining regional cap over an extended timeframe, rather than a series of sharp declines;
- the level of the regional cap should increase relative to current emission levels and then gradually decline (allowing companies time to become familiar with the operations of the program and develop cost effective compliance strategies);
- the cap level and timing should be adjusted to reflect the expansion of RGGI over time—to additional states and sectors of the economy;
- actual cap levels and timing should be chosen with reference to the strategies selected to address leakage of emissions associated with electricity imported into the RGGI region from sources not subject to the cap; and
- allowances should be apportioned among the RGGI states to reflect changes in the competitive electricity markets (i.e., the shift of generating capacity among states since 1990) by using a recent historical baseline.

More information on the GHG Coalition is available at <http://www.mjbradley.com/ghgcoalition.htm>.