The Regional Greenhouse Gas Initiative

an initiative of Eastern States of the US

About the Regional Greenhouse Gas Initiative

The **Regional Greenhouse Gas Initiative (RGGI)** is a cooperative effort among eleven Eastern states to reduce carbon dioxide (CO_2) emissions from power plants within each participating state.

Together, the participating states have established a **regional cap** on CO_2 emissions, which sets a limit on the emissions from regulated power plants within the RGGI states. Over time, the regional cap declines, so that CO_2 emissions decrease in a planned and predictable way. Since its inception, RGGI emissions have reduced by more than 50%—twice as fast as the nation as a whole—and raised over $4 billion to invest into local communities.

Who are the RGGI states? *The participating RGGI states include Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, Vermont, and Virginia.*

How Does RGGI Work?

RGGI is a market-based cap-and-invest initiative. Within the RGGI states, regulated power plants must acquire one **RGGI CO_2 allowance** for every short ton of CO_2 they emit. The RGGI states distribute allowances at quarterly auctions, where they can be purchased by power plants and other entities. Some states hold a limited number of allowances in set-aside accounts to sell at a fixed price or otherwise distribute outside of the auction process.

Each participating state originates allowances in proportion to its share of the regional cap. To comply with their state's regulations, power plants sized 25 megawatts[1] or greater must acquire enough RGGI allowances to cover their emissions. See **Tracking and Compliance** on page 2 for more details.

Happening Now: Third Program Review

The RGGI states work together to develop a Model Rule, which acts as a template for each state to shape its own **CO_2 budget trading program**. Once a state has implemented its program it is able to participate in RGGI auctions and access other shared aspects of this regional effort.

The RGGI states periodically conduct **Program Review** to examine the successes, impacts, and design of their CO_2 budget trading programs, and to consider updates to the Model Rule and their individual state programs. During the first two Program Reviews, the states implemented changes that improved program design and reduced the regional emissions cap. In September 2021, the states launched the Third Program Review, which will include opportunities for public engagement. For more information, visit the Program Review page of the RGGI website.

Photo courtesy of the Rhode Island Office of Energy Resources

Investing in a Clean and Equitable Future

The RGGI states receive the proceeds from selling RGGI allowances, and each state has discretion over how to best use their proceeds. Most of the proceeds have been invested by states back into their communities, including funding of clean energy programs, energy efficiency, and bill assistance to local businesses and communities. Investments targeting low-income households have increased over time and reached 16% of total proceeds in 2019. View the ***Investment of RGGI Proceeds*** *page of the RGGI website to see the latest report on how RGGI proceeds are supporting a clean energy future across the region.*

[1] In New York, power plants sized 15 megawatts or greater are regulated under RGGI.

About RGGI Auctions and Allowance Tracking

Auctions are the primary method by which the RGGI states distribute CO_2 allowances. Auctioning allowances ensures all parties have access to allowances under uniform terms, helps establish a market-based value for the price of CO_2 allowances, avoids windfall profits for power plant owners, and supports investments in a clean and equitable future. The RGGI states have established multiple ways to enhance market stability, described in **Auction Mechanisms** below. An independent market monitor provides oversight of the auctions, as well as activity on the secondary market, to ensure integrity of, and confidence in, the market. You can learn more and view the Market Monitor reports here.

Auction Mechanisms

The RGGI auction mechanisms are designed to provide some measure of stability to the market. The **Minimum Reserve Price** is the minimum price that allowances can be sold for at a RGGI auction. In 2021, the reserve price is $2.38 per allowance.

The **Cost Containment Reserve (CCR)** and **Emissions Containment Reserve (ECR)** are reserves of allowances that help provide market stability if the cost of reducing emissions is higher or lower than expected. CCR allowances are made available for sale at an auction if the allowance price would otherwise exceed a set trigger price. Conversely, ECR allowances are withheld from sale at an auction, if the price would otherwise fall below a set trigger price. In 2021, the CCR trigger price is $13.00 and the ECR trigger price is $6.00. For more information about auction mechanisms, visit the Elements of RGGI page of the RGGI website.

Setting the Auction Clearing Price

All the allowances sold at any one auction are sold at the same price. The price for an allowance is set at the value where demand for allowances equals the available supply.

*To find this price, available allowances are awarded to bidders based on bid price from high to low until no allowances remain. The price of the lowest bid to be matched to an allowance becomes the **auction clearing price** and is the value at which all allowances are sold for that auction. View the **Auction Tutorial** for more details about auction price setting.*

Tracking & Compliance

The acquisition, transfer, retirement, and surrender of RGGI CO_2 allowances is tracked on the RGGI CO_2 Allowance Tracking System (RGGI COATS) platform. Any individual who successfully sets up a RGGI COATS login and creates a RGGI COATS account can receive, transfer, and hold RGGI allowances within the RGGI COATS platform.

Every year, regulated power plants must surrender allowances equal to one half of their CO_2 emissions for that year. Every three years, called a **control period**, they must surrender allowances for all emissions from year three, plus all remaining emissions from years one and two. The three-year control period provides power plants flexibility for meeting the program requirements. More information on compliance is available in the Compliance section of the RGGI website.

Offset Allowances

Certain projects that reduce CO_2 and other greenhouse gas emissions outside of RGGI regulations may be eligible for awards of RGGI **CO_2 offset allowances**. To be eligible for offset allowances, a project must be located within one of the RGGI states and fall into one of the offset project categories accepted by that state. These project categories, and which states accept each category, can be found in the Offsets section of the RGGI website. Offset allowances are transferable and may be used by regulated power plants to meet up to 3.3% of compliance obligations. CO_2 offset allowances account for less than 0.01% of the total number of allowances issued by the program since its inception in 2009.

To learn more about RGGI, please visit the RGGI website or send a message to info@rggi.org.