New State Participation in RGGI

This document reviews the main principles and steps for states interested in RGGI participation.

Benefits of RGGI Expansion: The RGGI states recognize the benefits of an expanded trading market, including economic efficiency and the mitigation of potential emissions leakage. Participation in RGGI has helped the states create jobs, save money for consumers, and improve public health, while reducing power sector emissions and transitioning to a cleaner energy system. If implemented successfully, expanded RGGI participation will serve to amplify these benefits.

Principles for Participation: Any new state entrant into the RGGI market must develop an independent CO₂ Budget Trading Program regulation that is fully compatible with the RGGI Model Rule as determined by the current participating states. Key areas of compatibility include alignment of program elements, stringency of the new state’s CO₂ allowance budget, and consistency of regulatory language to ensure the full fungibility of CO₂ allowances.

RGGI, Inc. is the 501(c)(3) nonprofit established to support the development and implementation of the RGGI states’ CO₂ budget trading programs. Under separate contracts with each state, RGGI, Inc. provides technical and administrative services and acts as an agent on behalf of the participating states, including contracting with third-party providers for key services (e.g., regional auctions). Each RGGI state shares in the funding of RGGI, Inc., with each state’s portion of the funding consistent with its portion of the regional cap. The RGGI, Inc. Board of Directors consists of RGGI state agency heads.

The RGGI website contains materials that expand on these core principles and program elements, including the following resources:

- **Auctions:** Background on regional Auctions, including past and current Auction notices, results, and reports.
- **CO₂ Allowances:** The RGGI CO₂ Allowance Tracking System (COATS), the electronic platform that records and tracks emissions and CO₂ allowance data for each state.
- **Program Review:** Materials released during the RGGI states’ past program evaluations, including the 2016 Program Review and the 2012 Program Review.

Path to Participation: The RGGI states are always open to conversations with interested parties who wish to learn about this collaborative effort and who may be considering the benefits of participation. The Materials on New Participation section on the RGGI website gathers releases, to date, relating to the efforts of states that have pursued RGGI participation, including comments, RGGI states’ joint statements, and public meeting materials. While a state’s path to participation may look different from another’s, the current RGGI participating states offer this general guide to help an interested state map a potential path forward:
Key Steps to RGGI Participation

1. **Communication with current RGGI states** to understand key areas of compatibility and develop a timeline for participation, and propose a CO₂ budget that maintains the program’s stringency.
   
   a. **Compatibility**: Developing a CO₂ budget trading program is fully under state jurisdiction; however, it is important to understand the existing program’s key elements to ensure compatibility.
   
   b. **Timing**: Establishing the appropriate timing of a new state’s participation is important for maintaining market stability.
   
   c. **Stringency**: The RGGI states will draw on past experience to conduct technical analyses, such as electricity sector modeling, to inform the potential new state in its development of a CO₂ allowance budget that maintains overall program ambition. The RGGI states would expect the potential new state’s cooperation and collaboration on modeling inputs and outputs using an agreed-upon modeling platform.

2. **Coordination with the relevant environmental and energy agencies**.
   
   a. **Ongoing program support**: RGGI participation involves input and participation from each participating state’s environmental and energy regulatory agencies.
   
   b. **Governance for RGGI, Inc.**: The RGGI, Inc. Board of Directors is comprised of Agency Heads from environmental and energy regulatory agencies from each state.
3. Identification of legislation and/or executive action needed to authorize participation.

4. Development of a corresponding regulation to establish a CO₂ budget trading program. The current RGGI Model Rule is recommended as the template for draft regulation.

5. Development of a corresponding regulation, as needed, to establish a procedure for auctioning CO₂ allowances.

6. Proposal of the draft regulation(s) with a public comment period.

7. Review of public comments, including potential revisions to the regulation(s).
   a. Depending on the substance of any revisions, another proposal of the updated regulation(s) with a public comment period may be needed.

8. Communication with the RGGI states on any substantive changes to the proposed regulation(s).

9. State-specific rulemaking process for review, any impact analyses, and any final approvals within the new participating state.

10. Upon completion of the new participating state’s internal approvals, release and promulgation of final corresponding regulation(s).