RGGI Inc.

Regional Greenhouse Gas Initiative, Inc.
90 Church Street, 4th Floor
New York. NY 10007

Contact: Jason Brown
212-417-3179
jason.brown@rggi.org

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RGGI States Propose Lowering Regional CO_2 Emissions Cap 45%, Implementing a More Flexible Cost-Control Mechanism

(NEW YORK, NY) — After a comprehensive two-year program review, the nine Northeastern and Mid-Atlantic states participating in the Regional Greenhouse Gas Initiative (RGGI), the nation's first market-based regulatory program to reduce greenhouse gas emissions, today released an updated *RGGI Model Rule* and *Program Review Recommendations Summary*. The *Updated Model Rule* will guide the RGGI states as they follow state-specific statutory and regulatory processes to propose updates to their CO_2 Budget Trading Programs.

RGGI Program Improvements

Five years ago the RGGI states demonstrated leadership in addressing CO_2 pollution and accelerating the region's transition to a clean energy economy by conducting the first ever regional auction for CO_2 allowances in the nation. The changes outlined in today's *Updated Model Rule* and *Program Review Recommendations Summary* build upon RGGI's success and strengthen the program moving forward.

Improvements include:

- A reduction of the 2014 regional CO_2 budget, "RGGI cap", from 165 million to 91 million tons – a reduction of 45 percent. The cap would decline 2.5 percent each year from 2015 to 2020.
- Additional adjustments to the RGGI cap from 2014-2020. This will account for the private bank of allowances held by market participants before the new cap is implemented in 2014. From 2014-2020 compliance with the applicable cap will be achieved by use of "new" auctioned allowances and "old" allowances from the private bank.
- Cost containment reserve (CCR) of allowances that creates a fixed additional supply of allowances that are only available for sale if CO_2 allowance prices exceed certain price levels ($4 in 2014, $6 in 2015, $8 in 2016, and $10 in 2017, rising by 2.5 percent, to account for inflation, each year thereafter.)
- Updates to the RGGI offsets program, including a new forestry protocol.
- Not reoffering unsold 2012 and 2013 CO_2 allowances.
- Requiring regulated entities to acquire and hold allowances equal to at least 50 percent of their emissions in each of the first 2 years of the 3 year compliance period, in addition to demonstrating full compliance at the end of each 3 year compliance period.
- Commitment to identifying and evaluating potential tracking tools for emissions associated with electricity imported into the RGGI region, leading to a workable, practicable, and legal mechanism to address such emissions.

With the release of the *Updated Model Rule*, the RGGI states now plan to revise their CO_2 Budget Trading Programs through their individual state-specific statutory and regulatory processes. Each RGGI state seeks to complete their state specific processes such that the proposed changes to the program would take effect on January 1, 2014.

Delivering Cleaner Air and Smarter Energy Use

The program review has sought to ensure RGGI's continued success – effectively reducing CO_2 emissions while providing benefits to consumers and the region. An independent report by the Analysis Group found that the investment of RGGI proceeds from the first three years:

- Generates $1.6 billion in net economic benefit region-wide through the end of the decade;
- Puts $1.1 billion in electricity bill savings back into the pockets of consumers in the region over the next decade;
- Creates 16,000 job-years in the region; and
- Keeps $765 million in the local economy due to reduced fossil fuel demand.

Analyses indicate that today's proposed changes would:

- Reduce projected 2020 power sector CO_2 pollution more than 45 percent below 2005 levels.

- Preserve the significant reductions that have already occurred in power sector CO_2 emissions, and drive further reductions. The new cap is projected to generate approximately 80 - 90 million tons of cumulative emission reductions by 2020, when compared to the current RGGI program, and annual emissions in 2020 are projected to be approximately 14 - 20 million tons lower than they would be otherwise.

- Result in a modest increase in allowance prices, with allowances expected to be priced at approximately $4 ($2010) per allowance in 2014 and rising to approximately $10 ($2010) per allowance in 2020.

- Have minimal net impact to consumer's electricity bills. Overall, the average electricity bill for residential, commercial and industrial customers is projected to increase by less than 1 percent.

- Generate an additional $2.2 billion ($2010) for reinvestment. These investments in energy efficiency and renewable energy save consumers money, create jobs and enhance energy security, and drive further emission reductions.

"Over the past five years, the RGGI states have demonstrated that a market-based program that spurs investments in energy efficiency and low-emission electric generation can simultaneously achieve the goals of cleaner, cheaper, and more reliable energy," said Collin O'Mara, Secretary of the Delaware Department of Natural Resources and Environmental Control and Chair of the RGGI, Inc. Board of Directors. "Today, we are taking another significant step forward in realizing our common goal of reducing carbon emissions, driving energy efficiency investments, accelerating clean energy deployment, and providing economic benefits to the region's businesses and families."

“Regulated companies, nonprofits, consumer, and industry organizations have provided invaluable feedback throughout the two-year program review process to date,” said David Littell, a Commissioner of the Maine Public Utilities Commission and Vice-Chair of RGGI, Inc. Board of Directors. “With their input, we make today’s changes and project that by 2020 emissions will be more than 45 percent below 2005 levels. The RGGI revisions reflect current market conditions and adopt a flexible cost containment mechanism as an additional consumer protection.”

“RGGI has been an enormous success in reducing carbon emissions, providing incentives for cleaner power generation, improving air quality, and funding clean energy initiatives – all at a minimal cost to electric ratepayers,” said Daniel C. Esty, Commissioner of the Connecticut Department of Energy and Environmental Protection. “The changes in the program put forward today will allow us to continue moving toward a cleaner energy future in a manner that is consistent with the need to keep power cheap, strengthen our economy, and grow jobs.”

“These changes will help Massachusetts meet its ambitious greenhouse gas reduction targets, and enable our state to boost its investment in energy efficiency programs to create jobs in the clean energy economy and save our consumers money on their electric bills”, said Kenneth Kimmell, Commissioner of the Massachusetts Department of Environmental Protection. “With today’s proposed changes, the RGGI states continue to demonstrate their leadership in building a clean energy infrastructure for the 21st century,” added Mark Sylvia, Commissioner of the Massachusetts Department of Energy Resources. “Massachusetts will continue to invest its allowance proceeds in projects that improve energy efficiency and accelerate deployment of renewable, carbon dioxide-free energy resources.”

"Last month, Governor Andrew Cuomo committed to strengthening the RGGI cap to continue reducing the greenhouse gas pollution that is contributing to devastating weather events," said Joe Martens, New York State Commissioner of Environmental Conservation. "Today's announcement follows through on that commitment. New York is compounding the return on emission reductions by investing our auction proceeds in clean and efficient energy, innovative carbon reduction technologies, and community climate protection, while creating jobs for New Yorkers in the process."

“These proposed changes to RGGI lock in the CO_2 pollution reductions achieved to date from power plants across the region, while also providing a path forward for additional emissions reductions,” said Janet Coit, Director of the Rhode Island Department of Environmental Management. “The program will also continue to encourage job creation by local businesses focusing on energy efficiency, and will continue to help prevent many millions of dollars from being sent out of the region in the form of fuel payments. Both these measures support continued regional economic growth and deliver a triple-play of environmental, consumer, and economic benefits to families and businesses in Rhode Island and throughout the region.”

Comprehensive Evaluation

The RGGI states conducted a rigorous and comprehensive program review, supported by an extensive regional stakeholder process that engaged the regulated community, nonprofits, and consumer and industry advocates. The RGGI states convened over 12 stakeholder meetings, webinars and learning sessions during the program review.

About the Regional Greenhouse Gas Initiative

The Northeast and Mid-Atlantic states participating in the second RGGI control period (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont) have implemented the first mandatory market-based regulatory program in the U.S. to reduce greenhouse gas emissions.

RGGI is composed of individual CO_2 budget trading programs in each state, based on each state's independent legal authority. A CO_2 allowance represents a limited authorization to emit one short ton of $CO_{2,}$ as issued by a respective state. A regulated power plant must hold CO_2 allowances equal to its emissions to demonstrate compliance at the end of each three-year control period. RGGI's second control period began on January 1, 2012 and extends through December 31, 2014. For more information visit www.rggi.org

About Regional Greenhouse Gas Initiative, Inc.

Regional Greenhouse Gas Initiative, Inc. (RGGI, Inc.) was created to provide technical and administrative services to the states participating in the Regional Greenhouse Gas Initiative. RGGI, Inc. is a 501(c)(3) nonprofit organization. For more information, visit: www.rggi.org/rggi

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