

# The Regional Greenhouse Gas Initiative

an initiative of Eastern States of the US

## **RGGI Program Review: Topics for Public Consideration**

The Regional Greenhouse Gas Initiative (RGGI) participating states are committed to comprehensive, periodic review of their CO<sub>2</sub> budget trading programs to consider successes, impacts, and design elements. In line with this commitment, the states have initiated the Third Program Review and have published a preliminary Program Review schedule on the [RGGI website](#).

To support the Third Program Review, the states will solicit input from communities, affected groups, and the general public through public meetings and public comment periods. The states seek feedback on the proposed objectives, topics, and analyses for Program Review. This document outlines a non-comprehensive list of topics on which the states seek feedback.

The states will use modeling analyses to inform decision-making. This will include modeling of the electricity sector, the regional macroeconomy, and the effect on consumer electricity bills. These modeling analyses may be useful to members of the public for development of comments, suggestions, and feedback. The RGGI states will share the assumptions, materials, and results of these modeling analyses with the public.

### **1. Regional CO<sub>2</sub> emissions cap and cap adjustment for banked allowances.**

The RGGI states are reviewing the RGGI cap.<sup>1</sup> Currently, the RGGI cap declines by 3.655 million tons each year through 2030 and is held steady thereafter. The RGGI cap in 2030 is approximately 86.9 million tons, with the potential to be higher if Cost Containment Reserve allowances are released or offset allowances are awarded, or lower if Emissions Containment Reserve allowances are withheld (see items #3 and #5).

*The RGGI states seek comment on the RGGI cap, including comment on the trajectory of the cap before and after 2030.*

The RGGI states are currently implementing the Third Adjustment for Banked Allowances via an adjustment to each state's CO<sub>2</sub> allowance budget through 2025.

*The RGGI states seek comment on how or whether to address or adjust for a bank of CO<sub>2</sub> allowances into the future if a bank of surplus allowances remains in circulation post-2025.*

### **2. Environmental justice and equity considerations.**

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<sup>1</sup> The "RGGI cap" is a sum of the CO<sub>2</sub> allowance budgets implemented by the RGGI participating states.

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The RGGI states have invested auction proceeds on programs that provide targeted assistance to underserved and low-income communities, and during Program Review will seek ways to further address environmental justice and other equity concerns.

*The RGGI states seek comment on how states can further address environmental justice and other equity concerns, including through program design and/or the use of RGGI auction proceeds to support underserved and/or otherwise affected communities. Sample topics for consideration may include, but are not limited to, inclusive and expanded public participation, just transition and workforce development, and air quality monitoring, among other topics.*

### **3. Auction mechanisms: Cost Containment Reserve (CCR) trigger price and quantity, Emissions Containment Reserve (ECR) trigger price and quantity, minimum reserve price.**

The CCR is an additional supply of CO<sub>2</sub> allowances that are made available for sale if CO<sub>2</sub> allowance prices exceed certain price levels (the “CCR trigger price”). The CCR is currently set at 10 percent of the annual RGGI cap.

*The RGGI states seek comment on how the CCR has worked to date and the current design of the CCR, including the quantity of CCR allowances and the established trigger prices.*

The Emissions Containment Reserve (ECR) is an amount of CO<sub>2</sub> allowances that are withheld from sale if CO<sub>2</sub> allowance prices fall below certain price levels (the “ECR trigger price”). The ECR is currently 10 percent of the annual base CO<sub>2</sub> allowance budget of each state implementing the ECR.

*The RGGI states seek comment on how the ECR has worked to date and the current design of the ECR, including the quantity of ECR allowances and the established trigger prices.*

The minimum reserve price is the minimum acceptable bid price for a CO<sub>2</sub> Allowance offered at auction. The minimum reserve price in 2021 is \$2.38 and increases by 2.5 percent each year.

*The RGGI states seek comment on how the minimum reserve price has worked to date, the current level of the minimum reserve price, and the methodology for setting the minimum reserve price annually.*

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## 4. Compliance.

The RGGI states have implemented three-year control periods. Under each RGGI state's CO<sub>2</sub> Budget Trading Program, each CO<sub>2</sub> budget source is required to acquire and surrender one CO<sub>2</sub> allowance for each ton of CO<sub>2</sub> emitted during the preceding three-year control period. Starting in 2015, each CO<sub>2</sub> budget source was required to acquire and surrender allowances equal to 50 percent of its emissions during each interim control period (each of the first two calendar years of each three-year control period). Each CO<sub>2</sub> budget source must acquire and surrender allowances equal to 100 percent of its remaining emissions for the three-year control period at the end of the three-year control period.

*The RGGI states seek comment on how the three-year control period and interim control period compliance structure has worked to date and on any potential changes to the compliance requirements, including whether it would be preferable to change the percentage of emissions for which allowances are required to be surrendered as part of each interim compliance period.*

## 5. Offsets.

The 2017 RGGI Model Rule contains provisions for three offset project categories: landfill methane capture, avoided agricultural methane, and forestry or afforestation. Under compliance requirements, a CO<sub>2</sub> budget source may use offset allowances to meet up to 3.3% of its CO<sub>2</sub> compliance obligation.<sup>2</sup>

*The RGGI states seek comment on any potential changes to the types of offset project categories and/or specific provisions. The RGGI states seek comment on any potential changes to the limit on the use of offset allowances for compliance.*

## 6. Additional topics, considerations, objectives.

*The RGGI states seek input on the objectives of this Program Review and any additional topics and questions that should be included. In addition, the RGGI states seek input on the Program Review process, schedule, and logistics, including suggestions to make the process accessible, productive, and open to public participation.*

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<sup>2</sup> Currently there is one approved offset project – a landfill methane capture project in Maryland.