

## RGGI

RGGI sets up a cap and trade program for CO2 emissions in 10 northeastern and Mid-Atlantic States. The program is slated to start in January, 2009. The program will create CO2 “allowances” as tradable commodities between energy generating facilities subject to the program, and by its very existence will set a price on carbon emissions. Each state gets allowances to equal to their average annual quantity of emissions (their “allocation”) from affected facilities during 2000-2003.

At the conclusion of each year, affected facilities will need to have available to them CO2 allowances equal to their CO2 emissions for that year. There are three ways they can get allowances:

- The states can give them to affected facilities
- The states can auction them off in a market setting
- Generators can buy allowances from other generators having excess allowances

However, the RGGI MOU signed by the 10 Governors contains a public benefit provision that says, in part:

*“each Signatory State agrees that 25% of the allowances will be allocated for a consumer benefit or strategic energy purpose. Consumer benefit or strategic energy purposes include the use of the allowances to promote energy efficiency, to directly mitigate electricity ratepayer impacts, to promote renewable or non-carbon-emitting energy technologies, to stimulate or reward investment in the development of innovative carbon emissions abatement technologies with significant carbon reduction potential, and/or to fund administration of this Program”*

The 25% public benefit “set-aside” will require states to sell allowances to meet the public benefit purposes contained in the MOU. Most states are planning on participating in a cooperative regional auction process that will provide a platform for selling a minimum of 25% of their respective allocations under the MOU. Most states are considering auctioning more than the required minimum, with NY, VT, MA, NJ, CT all considering selling 100% of their allowances. All states have indicated that revenues will be directed to energy efficiency expenditures – albeit by differing organizational and regulatory means.

Delaware’s statewide allocation of allowances is 7,559,787. This is roughly equivalent to our present day emissions in tons. The chart below indicates the potential revenues from sale of RGGI CO2 allowances in \$ million/yr. at differing allowance prices. Modeling done for RGGI has indicated allowance prices in the early years of the program to be slightly above \$2/ton with prices rising to \$5.50/ton in 2024. Some volatility in the market is to be expected, and a range of prices and revenues are given below.

CO2 Allowance Price	25% Auction	50% Auction	100% Auction
\$2	\$3.8	\$7.6	\$15.1
\$5	\$9.4	\$18.9	\$37.8
\$7	\$13.2	\$26.4	\$52.9
\$10	\$18.9	\$37.8	\$75.6

