

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 CO₂ budget trading programs to consider successes, impacts, and design elements.

As part of the Third Program Review, the RGGI states are seeking public input on proposed program updates summarized below. Members of the public can submit comments verbally by attending the public meetings on September 26, 2023, or in writing by sending comments to info@rggi.org with the subject line “RGGI Program Review Comment.” For more information on the September 26 public meetings and how to submit public comments, refer to the [Meeting Notice](#).

For information regarding general RGGI background and operations, visit the [RGGI website](#) or view the [RGGI 101 factsheet](#).

1. Annual Compliance

Overview: The RGGI states are considering updating RGGI compliance to require that power generators subject to RGGI must acquire and surrender enough RGGI allowances to match 100% of their CO₂ emissions every year, as well as file a compliance certification report.

Background:

In the RGGI states, certain electric power generators that use fossil fuels must acquire RGGI allowances based on the amount of CO₂ that they emit into the atmosphere, with one RGGI allowance equal to one ton of emissions. Every three years, referred to as a control period, these generators must surrender enough allowances to match their total emissions for that period.

During the first two years of each control period, called interim control periods, generators must acquire RGGI CO₂ allowances equal to half of their CO₂ emissions. In the final year of a control period, generators must acquire allowances equal to 100% of their remaining emissions from the whole three-year period. In addition, generators must file a compliance certification report with their relevant state agency at the end of each three-year control period. These requirements are referred to collectively as RGGI compliance.

The RGGI states are considering updating RGGI design to implement full annual compliance, which would require generators to acquire and surrender allowances every year to match 100% of their emissions for the previous year, as well as file a compliance

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certification report each year. This new method would replace the current three-year control periods.

Implementing full annual compliance will improve RGGI design by reducing the risk that generators will not be in compliance with RGGI. This can happen under the current system if a generator declares bankruptcy during an interim control period, or in the case of untimely state withdrawal from RGGI.

Three-year control periods with interim compliance were initially implemented to provide flexibility to generators by allowing them a long window of time to acquire the necessary allowances. After consulting with the independent RGGI market monitor, the RGGI states have concluded that the benefits of implementing annual compliance outweigh any loss of flexibility. Other flexibility mechanisms in RGGI design include the ability to acquire and bank allowances on the secondary market, and the cost containment reserve and emissions containment reserve. For more information on these mechanisms, refer to the [Elements of RGGI](#) section of the RGGI website or the [RGGI 101 factsheet](#).

For more information on RGGI compliance, visit the [Compliance](#) section of the RGGI website.

2. RGGI Emissions Dashboard

Overview: The RGGI states have developed an interactive RGGI Emissions Dashboard, which is a publicly accessible mapping tool that can be used to explore emissions and other data from RGGI-covered facilities across the participating states.

Background:

In an effort to increase transparency regarding CO₂ emissions changes within the RGGI states at the local level, the RGGI states have developed an interactive emissions mapping tool, which displays CO₂ emissions from RGGI-covered facilities since the start of RGGI. The RGGI states have released a draft version of this dashboard, which is available on the RGGI website, [here](#). A User Guide is available [here](#).

The RGGI states seek feedback on the mapping tool, including regarding the format of the tool, the data that is presented, or any other aspects of the dashboard.

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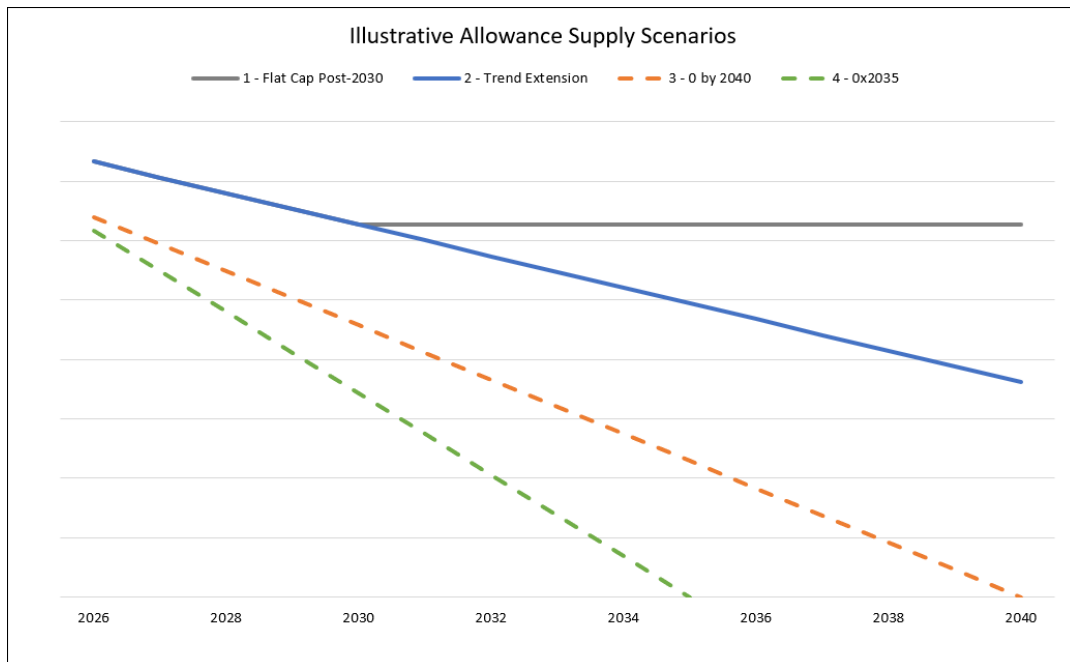
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3. Electricity Sector Analysis

Overview: The RGGI states are using a computer model simulation of the electricity sector (including existing and new power plants) to explore the impacts of updating the regional RGGI cap. The states have analyzed a number of hypothetical updates, including setting the RGGI cap to remain unchanged after 2030, to continue declining at its current rate through 2040, and to decline to zero by 2035 and 2040. The various hypothetical caps are also being tested against three sets of background assumptions with different amounts of new renewable electricity generation (solar and wind) and different amounts of electricity required to power new electric vehicles and to electrify homes and businesses. This analysis informs ongoing discussions regarding the RGGI cap and other policy considerations.

Background:

Under current RGGI policy, the RGGI cap is set to decline 30% from its 2020 level by 2030, after which the cap will remain unchanged from year to year, or as established in a future program adjustment. As part of the ongoing Program Review, the RGGI states are considering policy changes that would set the cap on an updated declining trajectory.



This chart shows illustrations of the four allowance supply scenarios used in the electricity sector analysis. The gray line represents a flat cap that remains unchanged after 2030. The blue represents a cap trajectory that continues to decline at its current rate. The dotted orange line represents a cap trajectory that reaches zero in 2040, and the green represents a cap that reaches zero in 2035.

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The RGGI states use a computer model of the electricity sector to aid in forecasting the impacts of changes to the RGGI cap, and to inform considerations of changes to RGGI policy. To date, the states have analyzed multiple hypothetical scenarios, including scenarios that would set the RGGI cap to decline to zero in the year 2035 or 2040, after which point the RGGI states will no longer originate or distribute allowances.

Initial Modeling Insights

Initial modeling results reflect findings from other national energy-sector modeling exercises.^{1,2} The analysis predicts emissions will decrease significantly, even in scenarios that model less stringent RGGI policies. This is due to the increased competitiveness of clean energy resulting from federal U.S. policies. Even in the flat-cap post-2030 and current cap decline scenarios, the model projects deep emissions cuts due to the increased competitive edge of clean energy. Policies like the Inflation Reduction Act (IRA) and Bipartisan Infrastructure Law (BIL) created powerful clean energy supply chain tax credits that have significantly increased the economic competitiveness of clean energy. Many of the RGGI states also have accompanying mandates for clean energy that will be more economical to meet thanks to these federal incentives. Detailed results from this analysis will be shared on the [Program Review](#) page of the RGGI website, along with additional materials ahead of the September 26 public meetings.

Next Steps:

The states will review the results of the full analysis and determine the RGGI cap that will best support emissions reductions, affordable energy, and system reliability. This updated analysis will also inform considerations regarding other program design elements, including the allowance bank, cost containment reserve, and emissions containment reserve. More information regarding each of these design elements can be found on the [RGGI website](#) or in the [RGGI 101 factsheet](#).

¹ Steinberg, Daniel C., et al. 2023. "Evaluating Impacts of the Inflation Reduction Act and Bipartisan Infrastructure Law on the U.S. Power System." Golden, CO: National Renewable Energy Laboratory. NREL/TP-6A20-85242. <https://www.nrel.gov/docs/fy23osti/85242.pdf>

² King, Ben, et al. 2023. "Taking Stock 2023: US Emissions Projections after the Inflation Reduction Act. Rhodium Group." https://rhg.com/wp-content/uploads/2023/07/Taking-Stock-2023_Rhodium-Group.pdf