

Policy Options to Address Emissions Leakage: Category #3



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by

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Policy Options to Address Emissions Leakage

1. Complementary energy policies (Prindle).
2. Counting but Not Capping: performance standards and adders (Coward).
- 3. Count it now; Account for it Later**
4. Assigning Leakage Responsibility to Load Serving Entities (Coward).



Count Now; Account Later

Policy mechanisms that first recognize (quantify) leakage, and then take action to correct for the leakage at a later date.



Example -- 1

A hypothetical mechanism that accounts for leakage, and then ratchets down the cap in a subsequent compliance period in an amount that corresponds to leakage in current compliance period.



Example 1 -- Some Pros and Cons

❖ Positives:

- Recognizes Leakage
- Responds 1:1

❖ Negatives:

- May not address underlying causes, *i.e.*, the connection between unregulated imports and regulated generation.
- Leakers can leak for free.
- Certainty associated with fixed cap is lost:
 - ◆ Lessens number of allowances, affecting availability and value.



Example -- 2

- ❖ “The Regional Strategic Carbon Fund”
 - Addresses current leakage at a later date.
 - Uses 5% of the allowances set aside for the purpose.
- ❖ Fund would be used to pay for additional out-of-sector carbon reductions:
 - Development of projects that achieve supplemental greenhouse gas emissions reductions and carbon sequestration beyond those required by the cap.



Example 2 -- Some Pros and Cons

❖ Positives:

- Recognizes Leakage
- Socializes Cost of Response (+ -).
- Retains certainty associated with fixed cap.

❖ Negatives:

- Socializes Cost of Response (+ -).
- May not address underlying causes.
- Could increase economic benefits to certain importing areas.
- Difficult to respond 1:1.



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Questions?