

Regional Greenhouse Gas Initiative

an Initiative of the Northeast and Mid-Atlantic States of the U.S.

Key Items for 2016 Program Review Stakeholder Discussions: Program Elements and EPA Clean Power Plan (CPP)

1) EPA CPP: State Plan Approaches

Under the CPP states can choose to comply by selecting the performance rates, state-specific rate goals or state-specific mass goals.

The CPP allows states to use the state-specific mass goals for existing sources and also the option of using a state-specific mass goal for new sources (from the New Source Complement TSD). States proposing to use only mass goals for existing sources need to demonstrate that their plan does not result in “leakage” to new sources.

The RGGI states currently anticipate using the mass goals for both existing and new sources as a pathway for compliance with the CPP. Source compliance will still be determined by the surrender of sufficient allowances equivalent to emissions.

States can also choose from emission standards state plan, state measure state plans, and trading ready approaches. The RGGI states currently anticipate using an emission standards approach for the RGGI states and discussing with stakeholders a potential pathway to trading ready (see item #6).

- The RGGI states are seeking stakeholder comments and feedback on using the CPP mass goals and comment on the potential advantages of different state plan pathways.

More details on CPP available at <http://www2.epa.gov/cleanpowerplan/clean-power-plan-existing-power-plants>.

2) CO₂ Emissions Reductions

The RGGI states are reviewing potential changes to the RGGI cap post-2020. The RGGI cap declines 2.5 percent each year from 2015 to 2020. The RGGI cap in 2020 is approximately 78 million, but could potentially be higher if CCR allowances are released or if offset allowances are awarded (see item #3).

The CPP total mass goals for the nine RGGI states is approximately 79 million tons in 2030 for existing sources and approximately 80 million in 2030 for new and existing sources.

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- The RGGI states are seeking stakeholder comments on the RGGI states emission goals post-2020 and pursuing additional emission reductions post-2020.

The RGGI states also adjusted the RGGI cap from 2014-2020 to adjust for banked CO₂ allowances that were already in circulation. The RGGI adjusted cap in 2020 is approximately 56 million.

- If post-2020 a bank of CO₂ allowances remains in circulation, the RGGI states are seeking stakeholder comments on how to address or adjust for that bank into the future.

More details on the RGGI cap available at <http://www.rggi.org/design/overview/cap>

3) **RGGI Flexibility Mechanisms**

The RGGI program incorporates several flexibility mechanisms including a Cost Containment Reserve (CCR), offsets, three year control periods, and the banking of CO₂ allowances.

Cost Containment Reserve (CCR) – The CCR is a fixed additional supply of CO₂ allowances that are only available for sale if CO₂ allowance prices exceed certain price levels. The CCR is currently 10 million allowances and is replenished at the start of each calendar year. To date, CCR allowances have been released in 2014 and 2015.

- The RGGI states are seeking stakeholder comments and feedback on how the CCR has worked to date and the current design of the CCR.
- The RGGI states are interested in hearing stakeholder comments on whether any of the CCR design elements should be reviewed and how the CCR and RGGI cap should work together when developing a CPP compliance pathway.

Offsets – RGGI allows for up to 3.3% of compliance obligations to be met with offset allowances from specific project categories. To date no RGGI state has awarded an offset allowance.

- The RGGI states are seeking stakeholder comments and feedback on the RGGI offsets program including potential improvements, additional offset categories, acceptance of offsets allowances not generated from projects located in the RGGI states or listed on offset registries, and the continuation of the offsets program within the bounds of the CPP.

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Control Periods – The RGGI states use three-year control periods for compliance. In 2015 the RGGI states implemented interim control periods. Each CO₂ budget source must hold allowances equal to 50 percent of their emissions during each interim control period (the first two calendar years of each three-year control period). Each CO₂ budget source must hold allowances equal to 100 percent of their remaining emissions for the three-year control period at the end of the three-year control period.

If the amount of CO₂ allowances provided for final compliance at the end of the three-year control period is less than the source's compliance obligation, the source is required to surrender CO₂ allowances equal to three times the number (tons) of the source's excess emissions and may also be subject to state-specific penalties for non-compliance.

- The RGGI states are seeking stakeholder comments and feedback on the compliance process, including the interim control periods and possible improvements to the compliance process.
- The RGGI states are interested in stakeholder comments on possibly amending the non-compliance penalty from surrendering CO₂ allowances equal to three times the number of a source's excess emissions to a CO₂ allowance penalty that may better align with the CPP's requirements, or other alternatives.

The CPP's compliance period begins in 2022, with interim step periods between 2022-2029 when states will demonstrate compliance on three- and two-year averages (2022-2024, 2025-2027, and 2028-2029).

The current RGGI control periods are 2018-2020, 2021-2023, 2024-2026, 2027-2029 and 2030-2033.

- Please provide comments on whether the RGGI control periods should align with the CPP interim step periods. If so, what are your suggestions for aligning with the CPP (e.g. extend the RGGI fourth control period to 2018-2021)?

More information on these RGGI flexibility mechanisms available at <http://www.rggi.org/design/overview> , <http://www.rggi.org/design/overview/cap> , <http://www.rggi.org/market/tracking/compliance> , <http://www.rggi.org/market/offsets>

More details on CPP available at <http://www2.epa.gov/cleanpowerplan/clean-power-plan-existing-power-plants>.

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4) **RGGI Regulated Sources**

The RGGI states regulate emissions from fossil fuel-fired power plants with a capacity of 25 MW or greater located within the RGGI states. This includes both existing sources and any new sources. There are some differences in the applicability of the RGGI cap and the CPP (i.e. simple cycle, biomass).

- The RGGI states are seeking stakeholder comments on how best to address the fact that the RGGI cap includes emissions from more regulated sources than the CPP for compliance.

More information on RGGI regulated sources at

http://www.rggi.org/design/overview/regulated_sources

More details on CPP available at <http://www2.epa.gov/cleanpowerplan/clean-power-plan-existing-power-plants>.

5) **EPA CPP: Promoting Renewable Energy and Energy Efficiency**

States can use several strategies to comply with the CPP, including the deployment of renewable energy and improvements in energy efficiency. The CPP also includes a Clean Energy Implementation Program (CEIP) program that a state may choose to participate in.

- Given the fact that the RGGI states auction most of the CO₂ allowances, the RGGI states are seeking stakeholder comments on whether the RGGI states should participate in the CEIP program.

More details on CPP CEIP available at <http://www2.epa.gov/sites/production/files/2015-08/documents/fs-cpp-ceip.pdf>.

6) **Broadening the RGGI Market /Increasing RGGI Trading Partners**

The CPP includes several options for states to work together on compliance. For example, states can submit multi-state plans and states can submit trading ready plans that allow states to trade with other states that submit trading ready plans. Trading ready is limited amongst either states using mass goals or rate goals.

- The RGGI states are seeking stakeholder comments and suggestions on the possibility of increasing the size of the current RGGI market/RGGI participating states. The RGGI states are seeking comments on possible advantages and how the RGGI states could best pursue this option.

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More details on CPP available at <http://www2.epa.gov/cleanpowerplan/clean-power-plan-existing-power-plants>.

7) **RGGI CO₂ Allowance Auctions & Tracking System**

- The RGGI states are seeking stakeholder comments and feedback on improvements to RGGI COATS to enhance the user experience or to help prevent user error.
- The RGGI states are seeking stakeholder comments on participation in the RGGI CO₂ allowance auctions and other comments on the CO₂ allowance auction process.

More information on the RGGI CO₂ allowance auctions and RGGI COATS are available at http://www.rggi.org/market/co2_auctions and <http://www.rggi.org/market/tracking>