

CO2 Allowance Allocations in New York

NY RGGI Stakeholders
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NY Principles for Determining Allocation of Allowances

- Recognize Allowances are a Public Good, a Public Asset: the right to pollute;
- Recognize Pollution is just another cost of production for electricity;
- Consistency with competitive markets for electric generation: Include all costs in product price and do not subsidize—let market work.
- Regulatory Risk is a part of this market (Rio Agreement ratified by US Senate in 1992).
- NYPSC and NYISO monitor and solve reliability concerns—none seen here.
- The Public (consumers), who pay market price increases, should receive proceeds of all allowance sales.

Regulated Subsidies to Generators: Considerations

- Value of allowances will be included in generator bid prices anyway—whether the allowances are bought or are gifted.
- Usually the “allowance adder” to the market clearing price is set by a gas unit, so they recover (gas = 17%)
- Consumers pay this adder to non-emitters as well: nuclear (25%) + hydro (17%) + imports (13%) = 54%.
- Only units emitting more CO₂ per MWH than gas will lose margin if they buy allowances: oil (13%) and coal (14%).
- But coal and oil are less expensive to operate than gas, and are getting a reduced margin, not a loss.