

RGGI Design Issues

New York Stakeholder Group

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Overall Goals for RGGI

- **Reduce CO₂ emissions from power plants**
- **Environmentally-sound program design**
 - No subsidies for unsustainable resources
 - Reduce price impact with increased efficiency investments
- **Expandable to other states**
 - Transparent, simple design
 - Model for future federal policy
- **Timely rulemaking and implementation**
- **Expandable beyond power sector**
 - Mandatory reporting for stationary sources

Setting the Cap

- **New York GHG Task Force Recommendations**
 - 30% below 1990 levels by 2010
- **NEG/ECP Economy-wide Targets**
 - 1990 levels by 2010
 - 10% below 1990 by 2020
 - 75% -85% reductions over the longer term
 - 20% reduction in carbon intensity of power generation by 2025
- **Modeling these caps with aggressive but achievable efficiency and renewable policies**
- **Phased or steady decline towards long term goals**

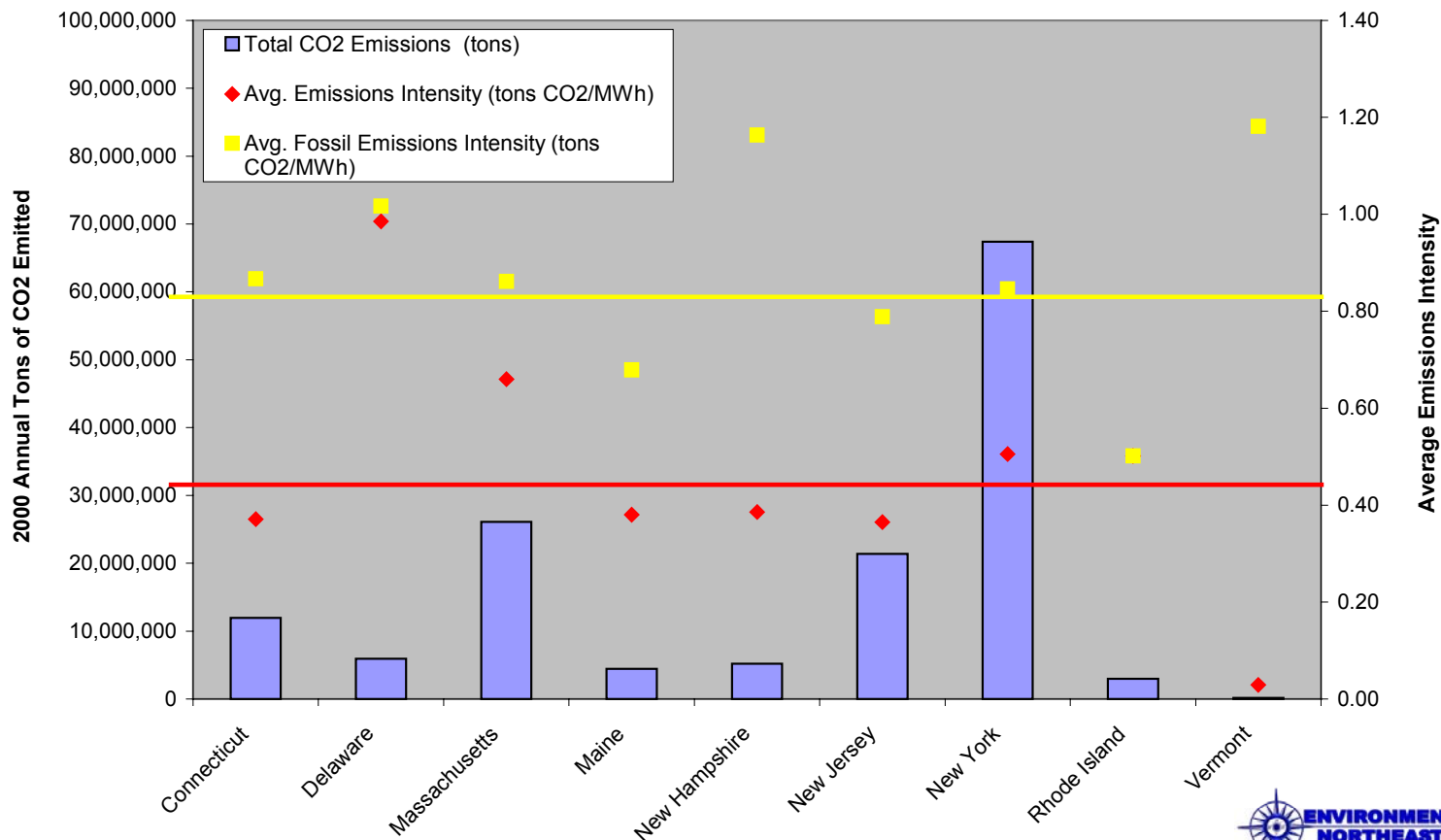
State Budgets

Metrics to assess comparable effort for each state:

- Percent emissions reduction
 - From current or 1990 levels
- Comparable reductions in carbon intensity of generation
- Reductions to comparable intensity levels
- Reduction of emissions per kWh consumed
- Reduction of emissions per capita

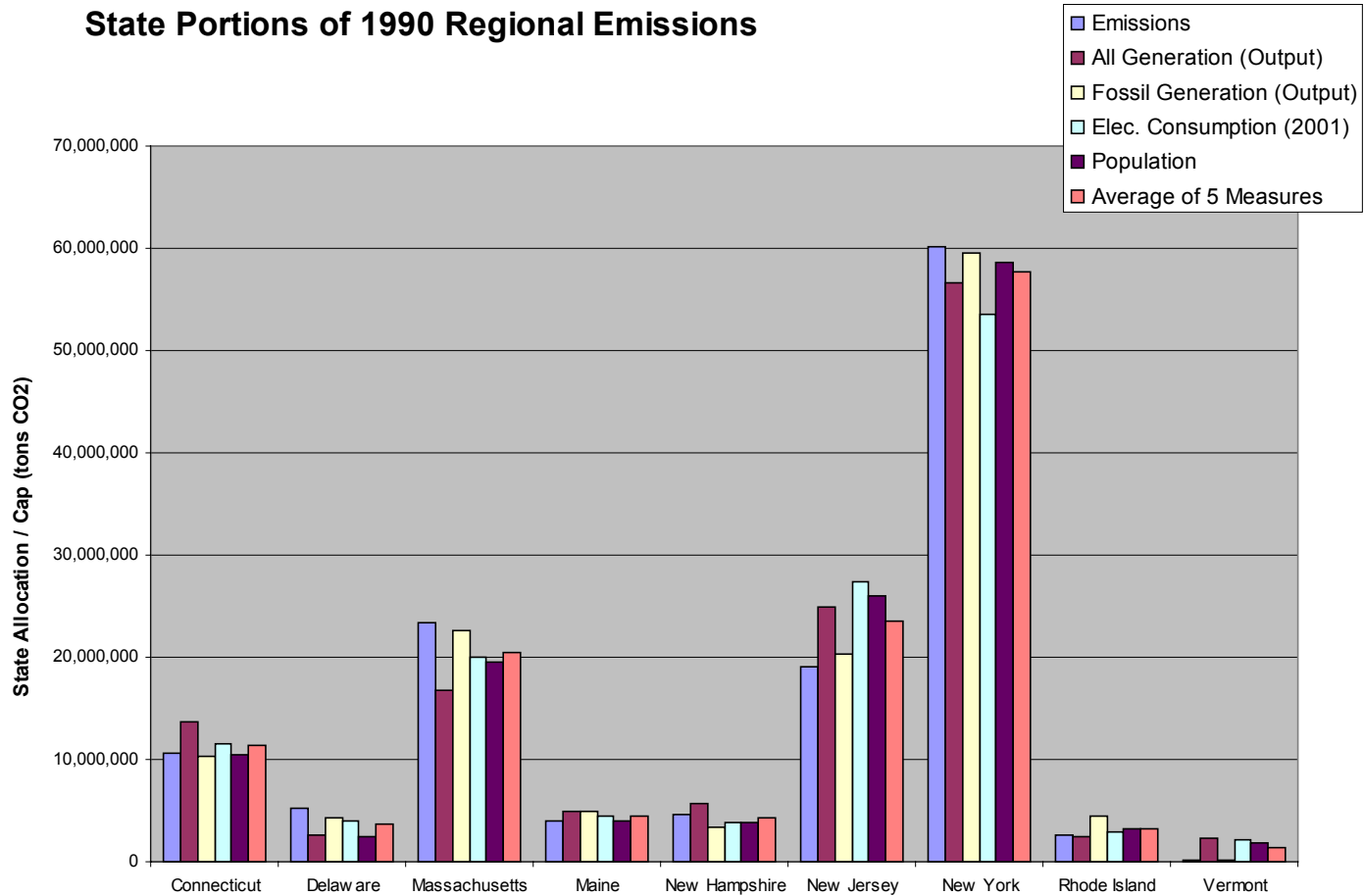
State Budgets

2000 Emissions and Intensity



State Budgets

State Portions of 1990 Regional Emissions



Allocations

Allocations influence:

- Fiscal impact of program to shareholders
- Electricity price impact to consumers
- States' ability to meet long term goals at least cost

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Allowance allocations should be used to:

- Minimize/avoid impact to shareholders but no windfall gains
- Lower demand curves and reduce price impact
- Protect consumers
- Drive investment in clean energy technologies

Allocations

- **Fossil generators held harmless**

- Even 1 mil electricity price impact = substantial increase in revenues
- Revenue increase far exceeds compliance costs
- 8-12% free allowances will keep fossil generators whole (CBO, RFF)

- **Non-fossil generators are not part of this program**

- receive windfall revenue increase
- no compliance costs
- any allocation to them provides additional subsidy with no public policy purpose

Allocations

Recommendation:

Allocations to fossil generators

- Free allocations should decrease rapidly to 8-12% to avoid windfalls
- Output basis to provide incentive for cleaner generation and lower electricity price impacts

Allocations

Recommendation:

Public benefit allocations

- Should increase rapidly to ~90%
- Directed at RGGI goals
 - Reduce/eliminate price impact
 - Drive investment in clean energy technologies
 - Energy Efficiency
 - Renewable Energy
 - Low income protection
 - Consumer rebates

Allocations

- **Consistency among states**

- Prevent race to bottom
- All states should invest in policies to reduce program costs/ no free riders
- Even playing field for generators
- Output based standards give consistent incentive to cleaner resources

- **Flexibility**

- Allocation of public benefit allowances
- Delivery mechanisms

Flexibility Mechanisms

- **Goals**

- Reduce costs
- Drive reductions outside of power sector
- Maintain program integrity

Flexibility Mechanisms

- **Internal flexibility**

- Public Benefit Allowance Allocation
- Banking
- Borrowing/ true-up period
- Early reduction credits

- **External flexibility**

- Offsets
- Opt-ins