

A Pioneering Approach to Carbon Markets

The Regional Greenhouse Gas Initiative (RGGI) was the nation's first regional carbon trading market when it was launched in 2009 by a group of Northeast states. A new, independent report by M.J. Bradley & Associates and companion video tell the story of how this bipartisan coalition of states decided to auction carbon allowances, rather than distribute them for free like prior emissions trading programs. The decision to sell the allowances at auction enables the states to invest the proceeds for the benefit of families and businesses in the region. This innovative auction design has been recognized by experts as one of the most important design choices made by the states.

Leaders from the RGGI region share their insights on how this market-based approach was established and how it continues to benefit states in the Northeast.

“When Governor George Pataki first proposed a regional carbon program more than a decade ago, **the intent was to have something that was simple, that was workable, that was market-based.** These were the guiding principles from the outset and the states stayed true to this framework.”

..... **Jeanne Fox**

New Jersey Board of Public Utilities President
(2002–2010) and Commissioner (2010–2014)

“I would count myself in the skeptic category when the auction was first proposed. This had never been done on the scale proposed by the RGGI states. However, I can say **now that I'm a strong proponent of the auction approach.** It's a very effective way to get allowances into the hands of people that need them.”

..... **Derek Furstenwerth**

Senior Director, Environmental Services, Calpine

“Auctioning allowances created market forces to find the lowest cost path to reduce emissions. This **directly benefits consumers**—cities, towns, business and homes—with RGGI auction dollars by providing them more **comfortable buildings, lower bills and less energy waste.**”

..... **Phil Giudice**

Undersecretary of Energy and Commissioner of the Department of Energy Resources
for the Commonwealth of Massachusetts (2007–2011)

“RGGI spans three of our country's major power markets and integrates seamlessly with the day-to-day operations of the electric power system. **The mechanism of the auction process is not complicated** and is not much different than what is done in financial markets.”

..... **Paul Hibbard**

Principal, Analysis Group

“The idea that **emissions allowances should be given away for free to power plant operators didn't really make sense in a deregulated power market.** The states realized they'd be in a situation of giving utility companies something for free that they were then going to **turn around and charge to their consumers.**”

..... **Dallas Burtraw**

Senior Fellow, Resources for the Future

“ The RGGI states’ experience has shown that **significant reductions in carbon pollution can go hand-in-hand with steady economic growth and grid reliability**. RGGI’s design also offers states the flexibility to invest auction proceeds according to their unique goals and needs, generating **additional savings and consumer benefits**. ”

..... **Katie Dykes**

Chair of the Connecticut Public Utilities Regulatory Authority and RGGI Inc. Board of Directors

“ We hired an experienced market monitor to track and review each of the RGGI auctions, and after more than eight years of annual reviews by Potomac Economics they have found **no evidence of collusion or market manipulation** in any of the RGGI transactions, whatsoever. ”

..... **David Littell**

Commissioner of Maine Department of Environmental Protection (2002–2010) and Maine Public Utilities Commission (2010–2015)

“ RGGI is a great example of innovative policymaking delivering strong economic benefits, including **vast energy savings and reduced reliance on fossil fuel imports**. The Northeast and Mid-Atlantic states have shown visionary leadership with this common-sense, market-based carbon trading program. As more than 90 companies and investors pointed out last summer in letters to state governors, **the RGGI program has been a win-win-win for consumers, businesses and the environment**, and should be supported in the years ahead. ”

..... **Mindy Lubber**

President of the nonprofit sustainability group Ceres

“ RGGI is an important tool to help Maryland meet its **aggressive greenhouse gas reduction goals**, while investing in actions for **more affordable, reliable, and environmentally sustainable energy**. ”

..... **Ben Grumbles**

Maryland Secretary of the Environment

“ In New Hampshire, we have established a revolving loan fund for energy efficiency, using RGGI auction proceeds. The effect has been multiplied many times over because we can lend out the money again, once the loans are repaid. It has been an **incredibly effective tool** for our members. ”

..... **Joseph Kwasnik**

Board of Directors, New Hampshire Electric Cooperative and Vice President, National Grid (2002–2009)

“ RGGI and other public policy choices have made the Northeast a leader in clean tech, **driving innovation, economic development, and creating a tremendous number of jobs** for the region. ”

..... **Janet Gail Besser**

Executive Vice President, Northeast Clean Energy Council