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## RGGI States Release Final Model Rule Amendments

The nine Northeast and Mid-Atlantic states participating in the Regional Greenhouse Gas Initiative (RGGI) released final Model Rule amendments on December 19, 2017, after a lengthy program review process. The changes chart a course for the program through 2030, including a 30 percent reduction in the regional cap from 2020 to 2030, as previously proposed. The RGGI states will now move forward with state-specific statutory and regulatory processes. According to the release, state specific timelines and milestones vary, but each state will work to ensure that its component of the regional program changes are effective as soon as is practical, and no later than January 1, 2021.

### Emissions Cap

The RGGI states have proposed a regional CO<sub>2</sub> emissions cap of 75,147,784 tons beginning in 2021. The cap will then decline by 2.275 million tons each year through 2030. The resulting 2030 cap translates to a 30 percent reduction from the current 2020 base cap of 78,175,215 tons. This is same cap that was earlier proposed in the draft Model Rule.

Table 2 shows the proposed Base Cap for each year and the annual percentage decline in the Base Cap from 2021 to 2030. The allowance bank adjustment between 2021 and 2025 has not been determined (see discussion below). To put these numbers in perspective, CO<sub>2</sub> emissions from covered sources in RGGI totaled 80.8 million tons in 2016. To meet the 2030 cap, covered sources would have to reduce emissions more than 26 million tons. In 2016, coal units in the region produced roughly 21 million tons of CO<sub>2</sub> emissions.

**Table 2. Annual Percent Decline in Base Cap**

	Base Cap (tons)	Annual Percent Decline (%)
2021	75,147,784	--
2022	72,872,784	3.0%
2023	70,597,784	3.1%
2024	68,322,784	3.2%
2025	66,047,784	3.3%
2026	63,772,784	3.4%
2027	61,497,784	3.6%
2028	59,222,784	3.7%
2029	56,947,784	3.8%
2030	54,672,784	4.0%

### **Allowance Bank Adjustment**

The final Model Rule includes a “full” allowance bank adjustment, as previously proposed. At the end of 2020, the RGGI states will determine the number of pre-2021 vintage allowances held by market participants beyond the total quantity of emissions in 2018, 2019, and 2020. The future allowance budgets, from 2021-2025, will then be adjusted downward by this amount. This is the same approach that was used for prior bank adjustments.

### **Cost Containment Reserve**

The final Model Rule includes a 10 percent annual Cost Containment Reserve (CCR), as proposed. CCR allowances would only be sold at or above the CCR trigger price. The trigger price would be set at \$13.00 in 2021, increasing by seven percent each succeeding year. Again, this is consistent with the proposal.

### **Emissions Containment Reserve**

The RGGI states have proposed the addition of an Emission Containment Reserve (ECR) beginning in 2021. States can withhold “up to 10 percent” of the allowances in their base annual budgets in order to achieve additional emissions reductions if prices fall below the specified trigger prices. The trigger price is set at \$6.00 in 2021, increasing by seven percent each year to ensure the ECR will only be triggered if emission reduction costs are lower than anticipated. If these allowances are withheld, they cannot be reoffered for sale at a later date. As indicated in the principles accompanying the Model Rule Amendments, Maine and New Hampshire do not intend to implement the ECR at this time.

### **Other Changes**

The states are eliminating two offset project categories: (1) reduction in emissions of sulfur hexafluoride (SF<sub>6</sub>) in the electric power sector and (2) end-use energy efficiency in the building sector. The Model Rule retains language to increase the minimum auction reserve price by 2.5 percent each year.

The Model Rule amendments are accompanied by a set of principles, including a commitment by the states to establish in statute and/or regulation amendments to its CO<sub>2</sub> Budget Trading Program substantially consistent with the Updated Model Rule and to have that State’s component of the regional program changes effective as soon as practical and no later than January 1, 2021. The next program review will begin no later than 2021. In terms of expanding the program, the principles simply state that the RGGI participants “recognize the benefits of a broader trading market and are open to conversations with other jurisdictions.”

## Contacts

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