

## **THE REGIONAL GREENHOUSE GAS INITIATIVE (RGGI) -- A SUMMARY FOR MAINE LEGISLATORS AND OTHER INTERESTED PARTIES**

### **What is RGGI?**

The Regional Greenhouse Gas Initiative or RGGI (pronounced "Reggie"), is a cooperative effort by ten Northeastern and Mid-Atlantic states to reduce carbon dioxide emissions. In addition to Maine, participating or soon-to-be participating states are New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, Delaware, New Jersey, New York, and Maryland.

### **What is the goal?**

RGGI is developing a regional strategy to control emissions and reduce the region's contribution to global greenhouse gas emissions. The strategy will require electric power generators in the participating states to reduce their carbon dioxide emissions. This will be implemented through a multi-state cap-and-trade program with a market-based emissions trading system. (*footnote1*)

### **What is the timetable?**

The first stage begins January 1, 2009. The intent is to stabilize carbon dioxide emissions from electric power plants in the Northeast at their 2000 - 2004 four year average from 2009 until the start of 2015. At that point, the goal is to reduce emissions by an additional 10% by 2019. Note that if nothing is done, emissions will increase by 25% over the same period, for a total of a 35% reduction from business-as-usual.

### **What is the planned timetable in Maine?**

The Administration has proposed a bill authorizing the Department of Environmental Protection to go forward with rules to implement RGGI. Because the rules will be major substantive rules, they will go back to the Legislature for final approval in 2008.

### **Why should Maine participate?**

The effects of climate change will have a significant affect on Maine because of the size of our coastline and our dependence on tourism, winter sports and outdoor recreation as revenue producers. Climate change will raise sea level, change precipitation and impact other local climate conditions. It could significantly alter Maine's forests, crop yields, water supplies, autumn foliage and maple syrup production. With so much at stake, participation in RGGI, which will reduce greenhouse gas emissions not only in this state but throughout the entire 10-state region, is vitally important. Maine cannot afford to be excluded from the deliberations and decisions that will determine how well we address the challenges of climate change.

Additionally, participation in RGGI enables Maine to mitigate increases in wholesale electric rates driven by the regional market. It does so by providing funding for energy efficiency programs that actually will lower bills for participating customers. Also Maine's participation in the regional effort has ensured that issues of particular importance to Maine have been incorporated in the agreement such as biomass fuel-fired power plants being regarded as climate neutral and excluded from the list of RGGI sources. In this vein, Maine's further involvement in the RGGI process will help to assure that Maine's forestry sector receives proper recognition and a full opportunity to participate in GHG reductions as new technologies and methodologies evolve.

### **What if a national program is enacted?**

Many people acknowledge that a robust national program to reduce carbon emissions is the ideal, and the 2007 makeup of the US Congress may mean that will happen. It is likely that a national program will adopt many of the same mechanism that RGGI will have already road-tested. Maine will therefore have an advantage that we will have a structure in place and our citizens and businesses will be educated about climate change and a market-based approach to address carbon emissions and because of this, Maine and the RGGI region will be in a unique position that we will be assured a seat at the table as the details of a national program are debated and finalized.

### **Which Maine power plants will be impacted?**

Six electric power producers of 25 megawatts or more in Maine will be subject to emissions reductions under RGGI: Florida Power and Light – Yarmouth; Calpine – Westbrook; Rumford Power – Rumford; Verso Paper – Androscoggin; Verso Paper – Bucksport; Casco Bay Energy – Veazie

### **What about allowances for combined heat and power?**

In developing the Governor's bill, the Department of Environmental Protection (DEP) has recognized that some Maine power plants that utilize combined heat and power (CHP), (*footnote 2*) should be given allowances for their greater efficiency. An advisory board made up of representatives of the DEP, Public Utilities Commission, Office of the Public Advocate and others will consider CHP projects for contracts and funding, which will come from auctions of carbon allowances.

### **What will the impact be on electric rates?**

Projections concluded that the impact of RGGI on retail electricity prices would be modest under the "best estimate" scenario, ranging from an increase of 0.3% to 0.6% in 2015, across all rate classes and all states in the region. A Maine-specific study of retail rate impacts conducted for the Office of the Public Advocate concluded that there could be a one-time increase in retail rates, and that this increase would be directly related to the price paid for the allowances. If allowances cost \$10 per ton of carbon dioxide, the price effect is .5 cents per kilowatt-hour, a 3% increase or \$30 on an annual bill for the average residential customer; at an allowance price of \$5 per ton, the effect is a \$15 annual increase on a typical residential bill. However, a February 2007 study on the effect of RGGI on electric rates by economists from the University of Maryland, Towson University and a Washington think tank, Resources for the Future, concludes that Maryland's participation in RGGI will actually lower a consumer's electricity bill in that state by about \$22 dollars per year when the effects of energy efficiency programs funded by means of RGGI are accounted for.

### **What are the potential economic benefits?**

John Rankin, the UK Consul-General in Boston, recently told legislators and others at a Muskie School program in Augusta that the UK has made emissions reductions while at the same time maintaining healthy economic growth. The UK economy grew 49% during the same time that emissions were reduced by 14%. There are now 17,000 companies and 400,000 jobs in the UK in environmental industries connected to emissions reductions. Maine could see similar economic growth by investing in and attracting manufacturers of products necessary for renewable energy development and energy efficiency. RGGI can complement our investment in Maine's University and Community College systems, and Maine could become a leader in renewable energy as well as renewable forestry products, thereby giving our children the opportunity to find good paying jobs in-state and helping assure a prosperous future for Maine.

### **Where can I go for more information?**

**Maine DEP Climate Change page:** <http://www.maine.gov/dep/air/globalwarming/index.htm>

**RGGI Organization page:** <http://www.rggi.org/index.htm>

**Muskie School primer on climate change and RGGI:**

[http://muskie.usm.maine.edu/Publications/RGGI-A\\_Primer\\_for\\_Maine.pdf](http://muskie.usm.maine.edu/Publications/RGGI-A_Primer_for_Maine.pdf)

**Natural Resources Council of Maine report on the effect of sea level rise:** [http://www.nrcm.org/sea\\_level\\_rise.asp](http://www.nrcm.org/sea_level_rise.asp)

**Pew Center on Global Climate Change:** [http://www.pewclimate.org/global-warming-basics/climate\\_change\\_101/index.cfm](http://www.pewclimate.org/global-warming-basics/climate_change_101/index.cfm)

### **Footnotes**

- 1) A cap-and-trade program consists of two components 1) setting a limit or "cap" on the emissions that can legally be released by the covered sources and 2) allowing sources to "trade" credits they have earned in order to meet their prescribed "cap." The trading mechanism is "market-based" because supply and demand will determine the dollar value/cost of the credits involved in the trade.
- 2) Combined heat and power means using the steam that is traditionally wasted by conventional power plants and even most combined cycle power plants for some beneficial purpose. At traditional type power plants, 1/3 to 2/3 of the energy used to produce the electricity ends up as heat that is wasted to the environment either through cooling towers or condensers.