

MAINE STATE LEGISLATURE

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STATE OF MAINE
DEPARTMENT OF ENVIRONMENTAL PROTECTION



PAUL R. LEPAGE
GOVERNOR

PATRICIA W. AHO
COMMISSIONER

March 15, 2013

Senator James A. Boyle, Senate Chair
Representative Joan W. Welsh, House Chair
Members of the Joint Standing Committee on Environment and Natural Resources
100 State House Station
Augusta, Maine 04333-0100

Senator John J. Cleveland, Senate Chair
Representative Barry J. Hobbins, House Chair
Members of the Joint Standing Committee on Energy, Utilities and Technology
100 State House Station
Augusta, Maine 04333-0100

RE: Regional Greenhouse Gas Initiative (RGGI) Annual Report

Dear Senator Boyle, Senator Cleveland, Representative Welch, Representative Hobbins, and members of the Joint Standing Committees on Environment and Natural Resources, and Energy, Utilities and Technology:

Public Law 2009, ch. 652, § A-61 directed the Department of Environmental Protection (Department) and the Efficiency Maine Trust (the “Trust” or “Efficiency Maine”) to annually submit a joint report to the Joint Standing Committee on Environment and Natural Resources (ENR Committee) and to the Joint Standing Committee on Energy, Utilities and Technology (EUT Committee) regarding implementation of the Regional Greenhouse Gas Initiative (RGGI). This letter serves to provide the ENR Committee and the EUT Committee with the Department’s portion of that directive. The Efficiency Maine portion of the report will be submitted by that entity at a later date. This report will address several elements of the legislative directive, as well as provide an update on the appropriateness of the number of allowances reserved in accordance with the voluntary renewable energy set-aside provisions.

A. The reductions of greenhouse gas emissions from carbon dioxide budget units, conservation programs funded by the Regional Greenhouse Gas Trust Fund and Efficiency Maine Trust pursuant to Title 35-A, section 10109 and carbon dioxide emissions offset projects.

Reductions of greenhouse gas emissions from carbon dioxide budget units. The RGGI program was designed to stabilize carbon dioxide (CO₂) emissions from the CO₂ budget units (RGGI units) in the region from 2009 through 2014 until the annual cap begins to be reduced in 2015. Maine and the RGGI region have experienced reductions in CO₂ emissions from the baseline period (2000 to 2005) before and since the program began with the first auctions in 2008 (see Tables 1 and 2).

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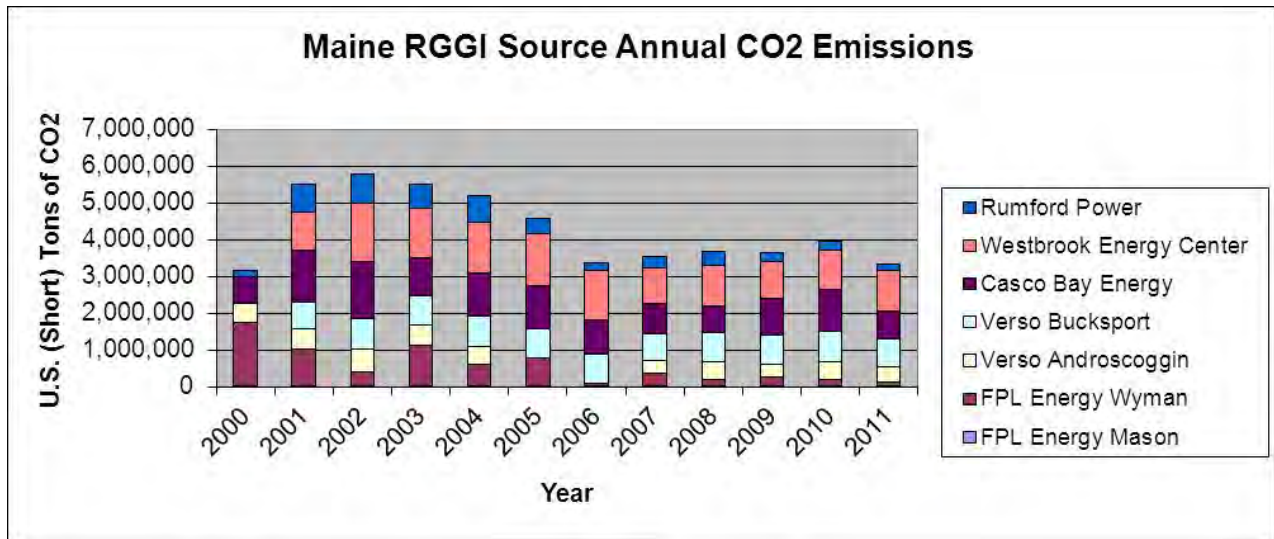
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Table 1 contains CO₂ emissions data from Maine's RGGI units from 2000 thru 2011. Emissions data for 2012, projected to be slightly higher than 2011 emission levels, will not be complete until sometime in the second quarter of 2013, and are not included with this report.

Table 1

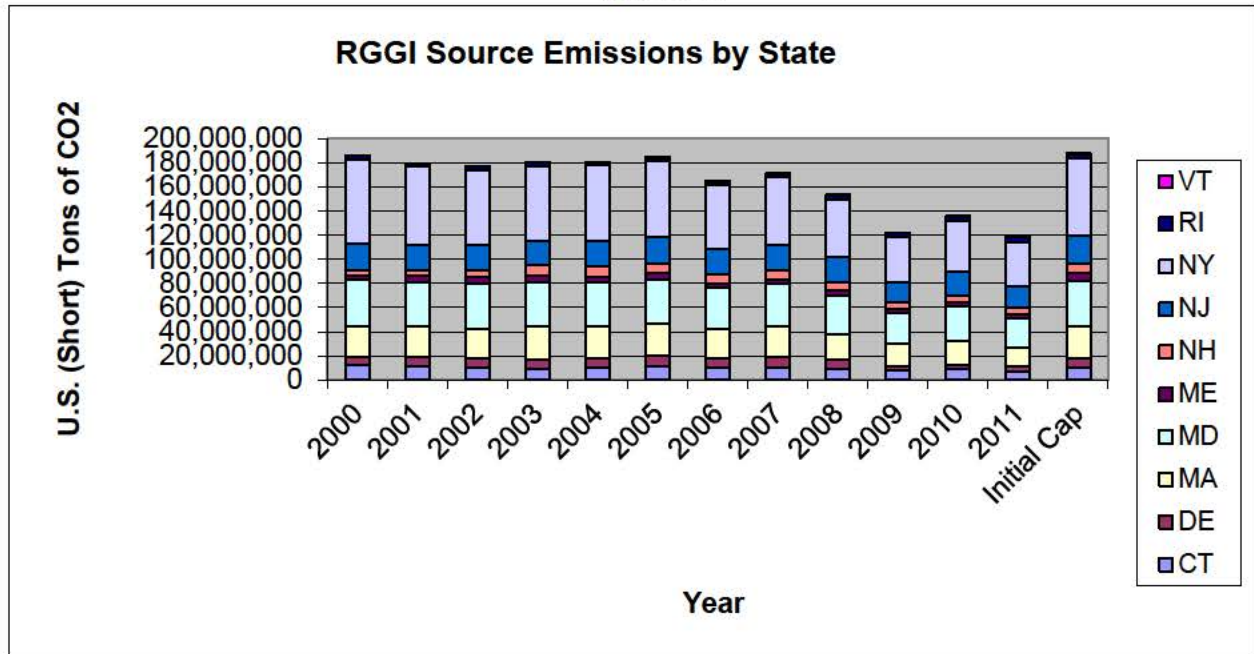


Year	Maine RGGI Source Annual CO ₂ Emissions (U.S. Tons)						Annual Totals
	FPL Energy Wyman	Verso Androscoggin	Verso Bucksport	Casco Bay Energy	Westbrook Energy Center	Rumford Power	
2000	1,731,846	519,770	0	744,689	0	153,306	3,149,611
2001	1,010,729	565,951	731,450	1,402,914	1,042,637	762,634	5,516,315
2002	397,062	608,960	829,490	1,582,011	1,580,945	782,900	5,781,368
2003	1,119,510	571,181	778,527	1,025,612	1,358,157	661,740	5,514,727
2004	616,030	472,481	810,749	1,178,901	1,412,282	701,496	5,191,939
2005	788,209	1,019	792,796	1,153,173	1,419,619	432,298	4,587,114
2006	70,853	24,826	780,609	946,041	1,341,636	207,857	3,371,822
2007	357,638	349,532	708,412	831,251	991,719	294,645	3,533,197
2008	185,915	481,163	796,139	730,736	1,090,087	407,238	3,691,278
2009	242,371	357,730	809,077	995,235	1,015,132	223,948	3,643,493
2010	198,691	489,273	813,064	1,130,402	1,079,445	232,583	3,943,458
2011	107,642	416,387	766,548	778,158	1,081,176	187,549	3,337,460

Note: Emissions from the former Mason Station in Wiscasset are not included in this table because it has not operated since 2003 and is not a RGGI Source.

Table 2 contains CO₂ emissions data from all RGGI units, by state, from 2000 thru 2011. Emissions data for 2012 will not be complete until sometime in the second quarter of 2013, and are not included with this report.

Table 2



RGGI Source Annual CO2 Emissions by State (U.S. Tons)											
Year	CT	DE	MA	MD	ME	NH	NJ	NY	RI	VT	10 STATE ANNUAL TOTALS
2000	11,977,434	7,308,248	25,452,680	38,446,856	3,156,292	5,178,731	21,954,959	69,809,356	2,959,594	24,914	186,269,063
2001	11,005,310	7,612,366	25,400,430	36,980,555	5,517,285	4,862,445	20,177,621	65,553,672	1,782,110	22,015	178,913,809
2002	9,842,414	7,616,896	25,278,273	37,084,544	5,784,563	5,556,992	21,145,667	61,367,406	3,254,015	5,171	176,935,941
2003	9,273,759	7,628,367	27,218,204	37,064,738	5,515,325	8,478,382	20,543,331	62,129,292	2,668,990	12,094	180,532,482
2004	9,989,119	7,884,001	26,369,630	36,281,466	5,191,939	8,812,538	21,133,145	62,612,353	2,219,100	14,779	180,508,070
2005	11,323,844	8,300,628	26,640,945	37,263,686	4,587,114	8,972,027	21,937,521	62,718,683	2,692,228	7,781	184,444,457
2006	10,761,759	7,561,295	23,449,199	35,233,070	3,371,822	7,568,884	20,224,255	53,638,129	2,625,422	6,337	164,440,172
2007	10,052,782	8,744,154	25,366,733	35,700,194	3,533,197	7,314,954	21,515,622	55,717,151	3,161,200	6,112	171,112,099
2008	8,988,858	7,615,966	21,438,041	32,383,517	3,691,278	7,095,147	20,601,805	48,348,177	3,292,517	2,559	153,457,865
2009	7,322,364	3,708,331	18,661,076	25,572,943	3,643,493	5,769,881	16,359,443	37,861,408	3,416,783	1,965	122,317,687
2010	8,527,102	4,299,269	19,804,384	27,958,958	3,943,457	5,899,447	19,681,308	42,113,171	3,504,392	3,756	135,735,244
2011	7,018,498	4,150,396	15,634,872	24,699,638	3,337,460	5,525,369	17,117,779	37,137,382	3,946,582	6,537	118,574,513
Initial Annual Cap	10,695,036	7,559,787	26,660,204	37,503,983	5,948,902	8,620,460	22,892,730	64,310,805	2,659,239	1,225,830	188,076,976

Note: Maine's emissions for the years 2000 to 2003 are slightly higher than in Table 1 because emissions from the former Mason Station in Wiscasset are included in this table as part of Maine's baseline emissions under RGGI.

The reduction of greenhouse gas emissions from conservation programs funded by the Energy and Carbon Savings Trust and Efficient Maine Trust will be provided in the Trust's portion of this report at a later date.

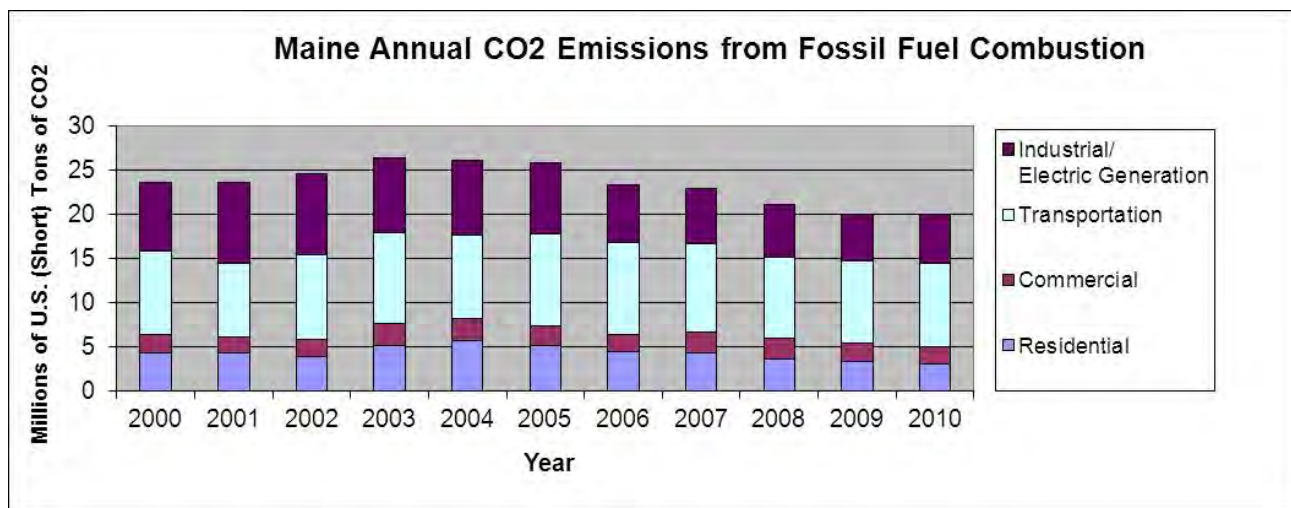
Reductions of carbon dioxide emissions from offset projects.

The offset project certification and application process was implemented in June of 2009. Independent third-party verifier status has been approved for a private entity in three RGGI states. No third-party verifier has sought approval in Maine to date. Maine has received no applications for RGGI offset projects located within the state and there have been limited applications received by other RGGI states.¹

B. The improvements in overall carbon dioxide emissions and energy efficiency from sources that emit greenhouse gases including electrical generation and fossil fuel fired units.

Improvements in overall CO₂ emissions from sources that emit greenhouse gases are indicated in Table 3.

Table 3



Sector	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Industrial/ Electric Generation	7.80	9.20	9.17	8.61	8.46	8.06	6.50	6.30	6.05	5.36	5.60
Transportation	9.45	8.44	9.64	10.25	9.59	10.34	10.37	9.98	9.15	9.36	9.49
Commercial	2.08	1.75	1.99	2.49	2.40	2.31	1.99	2.40	2.42	2.04	1.95
Residential	4.30	4.28	3.84	5.14	5.72	5.10	4.43	4.25	3.55	3.31	3.00
Total	23.63	23.67	24.64	26.49	26.17	25.81	23.29	22.93	21.17	20.07	20.04

Note: Emissions data for calendar year 2011 are not yet available.

¹ MaineHousing's initiative to verify and sell carbon offsets is operating through national voluntary carbon markets and is not related to RGGI.

C. The maximization of savings through systemic energy improvements statewide

This information is to be provided in the Trust's portion of the report to be submitted at a later date.

D. Research and support of new carbon dioxide offset allowance categories for development in the State.

With the supply of CO₂ allowances in the RGGI program being substantially greater than the current demand, and consequently CO₂ allowance prices hovering slightly below \$2 per allowance, there has not been a demand for offset allowances (or the projects that create them). As such, the State of Maine's work on developing new offset project categories has been put on hold.

E. Management and cost-effectiveness of the State's energy conservation and carbon reduction programs and efforts funded by the Energy and Carbon Savings Trust and Efficiency Maine Trust established pursuant to Title 35-A, section 10109.

This information is to be provided in the Trust's portion of the report to be submitted at a later date.

F. The extent to which funds from the Regional Greenhouse Gas Initiative Trust Fund established pursuant to Title 35-A, section 10109 serve customers from all classes of the State's transmission and distribution utilities.

This information is to be provided in the Trust's portion of the report to be submitted at a later date.

G. The revenues and expenditures of the Regional Greenhouse Gas Initiative Trust Fund, established pursuant to Title 35-A, section 10109.

Revenues from the sale of Maine's allowances under RGGI have totaled \$34.2 million as of the end of 2012 (\$5.6 million in 2008, \$9.6 million in 2009, \$8.3 million in 2010, \$5.2 million in 2011, and \$5.5 million in 2012). Expenditures of the Regional Greenhouse Gas Initiative Trust Fund are described in section E of this report.

Voluntary Renewable Energy Set-aside

At this time, the number of allowances set-aside for the Voluntary Renewable Energy set-aside program are sufficient to adequately cover the number of claims; therefore, the Department recommends keeping the amount of the set-aside at the current level of 2% of Maine's annual CO₂ allowance budget.

Recommendations

The statutory reporting requirement also provides for the Department and Efficiency Maine to propose changes for the Committee to consider that could be made to improve the program.

The Department will be recommending that changes be made to the program based on the results of the program review process that took place among the states participating in RGGI. The

Department has briefed the EUT Committee regarding the recommended changes to the program, which will be forthcoming during the 2013 legislative session in a separate legislative proposal.

The Department is available to present our report, and answer any questions you may have.

Respectively submitted,

Patricia W. Aho, Commissioner
Maine Department of Environmental Protection