

MAINE STATE LEGISLATURE

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**Report by the Public Utilities Commission to the
Utilities and Energy Committee
Regarding L.D. 1851, “An Act to Establish the
Regional Greenhouse Gas Initiative”**

December 31, 2008

I. BACKGROUND

During its First Regular Session, the 123rd Legislature enacted a law relating to the Regional Greenhouse Gas Initiative (RGGI) (P.L. 2007, Chapter 317). By a letter dated June 20, 2007, the Chairs of the Utilities and Energy Committee (Committee) requested that the Public Utilities Commission (Commission) provide RGGI-related information to the Committee on a regular basis, at least annually.

Specifically, the letter requested a report from the Commission on any ongoing efforts to work with regional partners to develop a model for tracking electricity and natural gas prices and usage in the region in a way that provides indicators of the price impacts from RGGI.

II. RGGI AUCTIONS AND A PRICE IMPACTS MODEL

On September 25, 2008, the first auction in the United States for greenhouse gas allowances as part of a carbon dioxide cap and trade program took place. Of the ten eastern states that participate in RGGI, only six were prepared to participate in the first auction. Those six states were Connecticut, Maine, Maryland, Massachusetts, Rhode Island, and Vermont. The auction was considered a success with all allowances selling and a clearing price of \$3.07. By the second regional auction on December 17, 2008, all ten states were prepared to participate, again all allowances sold but this time the clearing price was slightly higher at \$3.38.

In order for the auctions to successfully occur, all ten states worked together to develop auction protocols, design the auction platform, and reach agreement on multiple decisions at multiple levels. All of those pieces came together for the first time for all ten states only two weeks ago. Now that the majority of the work relating to auction design is complete, the region will begin preparing to measure the impacts of the RGGI cap and trade program on the price of electricity and natural gas. With the many factors that influence the price of electricity and natural gas, it will be difficult to isolate the impacts of RGGI. However, the participating states recognize the need to try. With the current economic situation and the transition of the federal government to a new administration, it is expected that it will take a few more auctions for the allowance market to settle and the impacts of RGGI to emerge. Maine will continue to participate in regional efforts to track the impacts of RGGI and will report to the Committee when a model is developed.