

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from electronic originals
(may include minor formatting differences from printed original)

**Report by the Public Utilities Commission to the
Energy, Utilities and Technology Committee
Regarding L.D. 1851,
“An Act to Establish the Regional Greenhouse Gas Initiative”
March 14, 2012**

I. BACKGROUND

During its First Regular Session, the 123rd Legislature enacted an Act to Establish the Regional Greenhouse Gas Initiative (RGGI),¹ a cooperative program by ten eastern and mid-Atlantic states to limit carbon dioxide (CO₂) (including greenhouse gas) emissions. RGGI has established a goal of reducing carbon emissions from large fossil fuel-fired power plants in the RGGI region (the “RGGI power plants”) by 10% by the year 2018. RGGI is the first regulation of carbon emissions in the United States.

The RGGI law requires generators of electricity to account for their carbon emissions and pay for every ton of CO₂ that they emit. Generators comply with the law by purchasing or trading allowances – one allowance is permission to emit one ton of CO₂ – or reducing their emissions by implementing efficiency measures or switching to lower carbon containing fuels. The RGGI law requires

¹ Public Law 2007, Chapter 317.

proceeds from emission allowance auctions to be deposited into a trust fund² and used for specific purposes. No less than 85% of the funds must be used on measures that reduce electricity use and no more than 15% on measures that reduce consumption of fossil fuels. The proceeds from the auctions enhance energy efficiency and renewable energy projects that should reduce demand for electricity leading to lower electricity costs for Maine's electricity consumers.

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

Since the first quarterly auction in September 2008, allowance prices have ranged from \$3.51 in March 2009 to the reserve price of \$1.86 in both the September 2010 and December 2010 auctions. During 2011, four quarterly auctions were held with allowance prices for both the current and future compliance periods at \$1.89. For 2011, quarterly proceeds attributable to Maine

² The RGGI Trust Fund (formally the Energy and Carbon Savings Trust Fund).

ranged from just under \$422,000 for Auction 13³ held on September 7, 2011 to approximately \$2.5 million for Auction 11 held on March 9, 2011. Maine's share of the auction proceeds totaled \$5.2 million for 2011 and \$28.7 million since the first quarterly auction in 2008.

In May 2011, New Jersey announced that it would withdraw from RGGI participation effective December 31, 2011. New Jersey continued its participation in the 2011 quarterly auctions held in June, September and December and required all compliance entities in the state to have sufficient allowances to cover their emission obligations for the initial compliance period that ended on December 31, 2011.

The remaining nine RGGI states are participating in the 2012 program review called for in the original RGGI Memorandum of Understanding (MOU). As the MOU specifies, the program review is a comprehensive evaluation of the RGGI program that includes program success, program impacts, additional reductions, imports and emissions leakage, and offsets. The participating states are expected to assemble a comprehensive set of recommendations regarding the RGGI program for the states to consider by the fall of 2012.

III. EFFORTS TO TRACK RGGI PRICE IMPACTS AND MACROECONOMIC EFFECTS

Efforts to assess the effect on electricity prices in both the RGGI region and in the New England market are on-going. In 2011, RGGI, Inc. reported:

³ In Auction 13, 18% of the current control period CO₂ allowances were sold and none of the future control period allowances offered were sold.

The cost of CO₂ emissions allowances is a very small part of overall electricity bills. On average, the cap on CO₂ emissions accounted for 0.24 to 0.61% of average residential electricity bills across the RGGI region in 2010. Based on typical household electricity usage, that translates into 46 cents per month for residential consumers. This very small increase is offset by strategic reinvestment of CO₂ allowance proceeds in energy efficiency measures which reduce demand for electricity and give households and businesses control over their energy bills.⁴

In a study released on November 15, 2011, Analysis Group measured the economic impacts of RGGI's first three years by tracking the path of RGGI-related dollars from generators who purchase CO₂ allowances, through electricity prices and customer bills, into state expenditures and into the overall economy.⁵ During the 2009-2011 time period, Analysis Group estimated that RGGI increased consumers' overall payments for electricity by 0.7 percent in the RGGI ten-state region and by 0.6 percent for consumers in New England. Based on

⁴ *About the Regional Greenhouse Gas Initiative (RGGI)*, Available at www.rggi.org

⁵ *The Economic Impacts of the Regional Greenhouse Gas Initiative on Ten Northeast and Mid-Atlantic States. Review of the Use of RGGI Auction Proceeds from the First Three-Year Compliance Period*, Paul J. Hibbard, Susan F. Tierney, Andrea M. Okie, and Pavel G. Darling, Analysis Group, November 15, 2011.

investments of RGGI proceeds in the first three years, the Analysis Group concluded that investments of RGGI auction proceeds in energy efficiency programs and measures are reducing electricity consumption and produce net economic benefits of \$888 million in New England and \$1.6 billion in all RGGI states. These economic benefits include 7,237 job-years added and almost \$800 million in reduced customer bills compared to the no-RGGI states according to the Analysis Group.

V. CONCLUSION

RGGI, Inc. and others continue their efforts to assess the costs and benefits of RGGI participation. As required by the RGGI MOU, the participating states are involved in the 2012 comprehensive review of all components of the RGGI program, including a review of the impact the program has had on price and system reliability. The Commission will continue to stay abreast of regional efforts to track the impacts of RGGI and the results of the RGGI comprehensive review and will report future developments to the Committee.