



RGGI Inc.



The Regional Greenhouse Gas Initiative:

The nation's first carbon cap and trade
program




The Regional Greenhouse Gas Initiative (RGGI)

- Regional effort among 10 states to cap and reduce carbon emissions: CT, DE, ME, MD, MA, NH, NJ, NY, RI, VT
- Focus on power sector
- Region wide and state specific caps
- Allocation of allowances done by auction rather than free distribution



Reduction Requirements

- Start in 2009
 - Stabilize emissions at current levels through 2014
 - then reduce by 10% by 2019
(~16% below BAU for the region)
 - Three year compliance periods
 - Banking allowed
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Auction of Allowances


- Began when states signed the MOU that committed to a minimum 25% public benefit allocation
- New York and most other RGGI states have proposed ~100% auction
- Purpose:
 - restore value of program to the public
 - promote goals of program



Auction Design Goals

- Provide allowances to those who need them
- Prevent collusion
- Prevent hoarding
- Minimize volatility
- Not maximize revenues
- Monitoring market participants

Design Elements for Regional Allowance Auctions (Cont'd)

- Reserve price
 - Minimum and current market
 - Unsold allowances
 - Notice of Auction
 - “heads up” at least 45 days in advance
 - Participation requirements defined
 - Monitoring
 - Auction Results
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Design Elements for Regional Allowance Auctions

- Uniform regional auctions on September 25th and December 17th
- Structure and Format
 - Quarterly, single round uniform price
- Sale Schedule
 - 2009 vintage spread over the 2 pre-compliance and 4 auctions in 2009,
 - up to 5% of 2012 vintage will be auctioned in 2009
- Participation
 - Open to all who become qualified
 - Financial security needed to make one eligible
 - Purchase limits




RGGI went “Live” July 24th

- **Pre-compliance auctions this fall**
 - Qualified bidders have been trained on the system
 - Financial security is being posted
- **First auction has 12.5 million tons from ME, VT, MA, RI, CT and MD**
- **Futures trading on secondary market began in earnest this summer**

RGGI Auction 1



- Auction clearing price was \$3.07/allowance
 - The \$38.575 million will be distributed among CT (4.21m); ME (2.68m); MD (16.37m); MA (13.34m); RI (1.35m); VT (0.62m)
 - 59 bidders from the energy, financial and environmental sectors participated
 - Demand for allowances totaled 4x available supply or 51,761,000
 - Compliance entities and affiliates purchased most of the allowances
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RGGI Auction 2



- Auction 2 to be held on December 17th, 2008
- All 10 participating states to offer allowances for sale
- About 90 applicants wishing to participate in Auction 2.



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More RGGI Information

<http://www.rggi.org>

**Acknowledgement and thanks to Peter Iwanowicz and the Office of Climate Change,
New York State Department of Environmental Conservation**

