

RGGI Allowance Allocations & Auction Proceeds Distribution Plans

July 9, 2010



Two of the main design elements of a cap and trade program are: 1) the allocation of allowances (permits to emit CO₂) and 2) the use of proceeds from allowance auctions. In the Regional Greenhouse Gas Initiative (RGGI) these two design elements are largely determined by member states, so long as parameters of the 10-state Memorandum of Understanding are met, including a requirement that 25% of allowance value support a “consumer benefit or strategic energy purpose.”

The first part of this document provides background on RGGI through the latest allowance auction, including descriptions of common allowance allocations. The second part of the document (beginning on page 3) provides detailed analysis of allocations and auction proceeds distribution plans for each state.

RGGI Auction Results

	Auctions 1-7	Auction 8	Total to-date
Connecticut	\$ 31,019,516	\$ 4,889,899	\$ 35,909,415
Delaware	\$ 13,867,293	\$ 2,166,051	\$ 16,033,344
Maine	\$ 17,978,363	\$ 2,494,152	\$ 20,472,515
Maryland	\$ 113,265,639	\$ 14,854,467	\$ 128,120,106
Massachusetts	\$ 93,303,917	\$ 12,973,896	\$ 106,277,813
New Hampshire	\$ 21,397,457	\$ 2,957,125	\$ 24,354,582
New Jersey	\$ 64,507,341	\$ 8,369,458	\$ 72,876,799
New York	\$ 213,386,994	\$ 29,863,371	\$ 243,250,365
Rhode Island	\$ 9,344,844	\$ 1,298,553	\$ 10,643,398
Vermont	\$ 4,307,690	\$ 598,593	\$ 4,906,283
Total	\$ 582,379,053	\$ 80,465,567	\$ 662,844,620

Auction Proceeds to Efficiency & Clean Energy

RGGI states have decided to auction at least 86% of allowances for public benefit. A majority of the revenue raised through RGGI auctions, and through the direct sale of allowances under certain state set-asides, will be channeled to energy efficiency programs at the state and local level. This funding will support proven electric and fossil fuel efficiency programs that save consumers money and reduce the cost of RGGI program by lowering demand for energy and for allowances. Auction revenues are being used for a number of activities that vary among states, but include:

- Energy efficiency programs
- Low-income weatherization
- Low-income heating assistance
- Clean energy research and development

RGGI Energy Efficiency Funding

	Revenue	Energy Efficiency Share	Projected Energy Efficiency Funding
Auctions 1-7	\$582,379,053	46.8%	\$272,718,015
Auction 8	\$80,465,567	44.0%	\$35,407,791
Total	\$662,844,620	46.5%	\$308,125,805

Note: Figures reflect state spending plans (for information on spending to-date see state-specific info. after page 2)

Allocations

In addition to auctioning allowances for public benefit, RGGI states are supporting other policies with allocations of allowances. The following allocation categories describe programs existing in one or more

states. Though details and nomenclature may differ slightly between states, the objectives of these allocation set-asides are similar.

Auction – All States – allowances to be auctioned are offered for sale in a regional auction administered by RGGI, Inc., using an online platform developed by World Energy Solutions (see www.rggi.org for additional information). Auction proceeds are returned to states to support state-specific programs.

Voluntary Clean Energy – All States but DE - this set-aside supports renewable energy by accounting for emissions reductions attributable to voluntary purchases of renewable energy by consumers (i.e. “green power” purchases). Customers pay a premium for voluntary renewable energy in expectation of displacing fossil fuel electricity and reducing emissions. The cap must therefore be adjusted downward in proportion to voluntary renewable energy purchases in order to reflect consumer expectations, and to avoid offering surplus allowances to fossil fuel producers who generate *less* electricity as a result of voluntary renewable energy purchases. If the cap were not adjusted downwards, generators of fossil-fuel electricity could actually *increase* emissions per kilowatt hour and still remain below the cap. Allowances in voluntary clean energy set-asides are removed from the cap and retired in proportion to actual voluntary renewable energy purchases.

Long-Term Power Purchase Agreement (PPA) – CT, MD & NY – this set-aside protects generators with long-term PPA’s from having to absorb the costs of RGGI over the contract period. To be eligible generators must demonstrate that they cannot recover allowance costs from consumers or electricity markets. Eligible units may purchase allowances at a set price (\$2 per ton in CT), or be provided allowances for free, as is the case in MD and NY. (Note: in NY only generators with an emissions rate at or below that of natural gas—1100lbs/MWh—are eligible; in MD generators must demonstrate financial hardship to be eligible). Allowances purchased from the Long-term PPA set-asides may only be used for compliance and cannot be resold.

Combined Heat and Power (CHP) – CT, ME & NJ – allowances are awarded or sold at a fixed price to Combined Heat and Power (CHP) units that utilize thermal energy for heating or industrial processes. In general only 30-35% of the energy in fossil fuels is utilized to generate electricity and the rest is wasted as heat. CHP units utilize the ‘excess’ thermal energy and thus produce more useful energy per unit of fuel. This efficiency is rewarded with allowances that account for the emissions avoided by *not producing* heat anew at the end use facility. An example might be a natural-gas plant that generates electricity and provides steam for an industrial application.

Allowance Conversion – MA & NH – both Massachusetts and New Hampshire had pre-existing emissions regulations, and this set-aside allows for conversion of old allowances to the RGGI program. In MA two allowances from the previous program (310 CMR 7.00) can be exchanged for one RGGI allowance, whereas in New Hampshire allowances from the previous program (Env-A 2900) can be traded 1:1 for RGGI allowances.

Industrial Exemptions – MD & DE – in Maryland and Delaware certain emitters have been exempted from RGGI and allowances corresponding to their emissions will be permanently retired. The Delaware City Refinery, which contains a 180MW generation plant, is exempted, and in Maryland units that sell less than 10% of generated electricity onto the grid are exempted, provided that they complete a detailed climate action plan showing projected reductions.

Allocation to Emitters – DE – Delaware has decided to allocate 33% of its annual allowance budget to emitters. This allocation will decrease annually and cease in 2014.



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Connecticut

Program	Per Regulation		With Unused Set-aside Allowances	
	Allowances	Allocation %	Allowances	Allocation %
Auction	8,235,177	77.0%	8,995,177	84.1%
Voluntary Clean Energy (set-aside for retirement)	160,426	1.5%	84,426	0.8%
Customer-side Distributed Resources	372,326	3.5%	100,326	0.9%
Combined Heat and Power (CHP)	534,752	5.0%	124,752	1.2%
CHP Long-term Contracts (sold at \$2/ton)	1,390,355	13.0%	1,390,355	13.0%
Total (2009)	10,695,036	100.0%	10,695,036	100.0%

	Auctions 1-7		Auction 8		Totals to date:	
	Allowances	Mean Price	Allowances	Price	Allowances	Mean Price
Control Control Period 1 (2009-2011):	11,054,317	\$2.91	2,481,971	\$1.88	13,536,288	\$2.75
Control Control Period 2 (2012-2014):	567,186	\$2.24	120,319	\$1.86	687,505	\$2.16
Projected Auction Proceeds Recipients						
Clean Energy Fund	23.0%	\$7,134,489	\$1,124,677	\$8,259,165		
Energy Efficiency, of which:	69.5%	\$21,558,564	\$3,398,480	\$24,957,043		
- Conn. Light & Power (75%)	52.1%	\$16,168,923	\$2,548,860	\$18,717,782		
- United Illuminating (18.75%)	13.0%	\$4,042,231	\$637,215	\$4,679,446		
- Conn. Mun. Elec. Energy Co-op (6.25%)	4.3%	\$1,347,410	\$212,405	\$1,559,815		
Administration & other climate programs	7.5%	\$2,326,464	\$366,742	\$2,693,206		
Total	100%	\$31,019,516	\$4,889,899	\$35,909,415		

Program Allocations and Proceeds Recipients based on:

Section 22a-174-31: Control of Carbon Dioxides Emissions

<http://www.ct.gov/dep/lib/dep/air/regulations/mainregs/22a-174-31.pdf>



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Delaware

Program	Allowances	Allocation %
Auction*	3,779,894	50%
Allocation to Emitters	2,519,929	33%
Industrial Exemption (Del. City Refinery)	1,259,965	17%
Total (2009)	7,559,787	100%

*The percentage of allowances auctioned shall increase by 8% per year, such that 100% of allowances shall be auctioned in 2014

	Auctions 2-7~		Auction 8		Totals to date	
	Allowances	Mean Price	Allowances	Price	Allowances	Mean Price
Control Control Period 1 (2009-2011):	4,891,227	\$2.90	1,079,881	\$1.88	5,971,108	\$2.72
Control Control Period 2 (2012-2014):	320,629	\$2.24	73,051	\$1.86	393,680	\$2.16
Projected Auction Proceeds Recipients						
Energy Efficiency & Renewables	65%	\$9,013,740		\$1,407,933		\$10,421,674
Weatherization Assistance Program	10%	\$1,386,729		\$216,605		\$1,603,334
LIHEAP	5%	\$693,365		\$108,303		\$801,667
GHG Reduction Projects	10%	\$1,386,729		\$216,605		\$1,603,334
State Administration	10%	\$1,386,729		\$216,605		\$1,603,334
Total	100%	\$13,867,293		\$2,166,051		\$16,033,344

~ DE did not contribute allowances to auction 1 as regulations were not finalized in time

Program Allocations based on:

1) Delaware Regulation 1147 - CO2 Budget Trading Program

<http://www.awm.delaware.gov/AQM/Documents/Final%20Reg%201147%20-%20CLEAN.pdf>

2) 12/15/08 conversation with Valerie Grey, planning engineer with Delaware Department of Natural Resources & Environmental Control

Proceeds Recipients based on:

Delaware State Senate Bill 263 - An Act to Amend Title 7 of the Delaware Code Relating to RGGI and CO2 Emission Trading Program

<http://www.votesmart.org/billtext/19746.pdf>



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Maine

Program	Allowances	Allocation %
Auction	5,037,546	85%
Voluntary Clean Energy (set-aside for retirement)	118,978	2%
Combined Heat and Power	792,378	13%
Total (2009)	5,948,902	100%

	Auctions 1-7		Auction 8		Totals to date	
	Allowances	Mean Price	Allowances	Price	Allowances	Mean Price
Control Control Period 1 (2009-2011):	6,301,688	\$2.91	1,264,142	\$1.88	7,565,830	\$2.75
Control Control Period 2 (2012-2014):	298,157	\$2.24	63,207	\$1.86	361,364	\$2.16
Projected Auction Proceeds Recipients*						
Electric Energy Efficiency	85%	\$15,281,608		\$2,120,029		\$17,401,638
Fossil Fuel Energy Efficiency	15%	\$2,696,754		\$374,123		\$3,070,877
Total	100%	\$17,978,363		\$2,494,152		\$20,472,515

*Up to \$5/ton, overage rebated

Program Allocations & Proceeds Recipients based on:

Chapters 156-158: CO2 Budget Trading Program

<http://www.maine.gov/dep/air/greenhouse/rggi.htm>



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Maryland

Program	Allowances	Allocation %	
Auction*	30,153,202	80.4%	*If auction clearing prices exceed \$7/ton, allowances sold directly to emitters at \$7/ton.
Voluntary Clean Energy (set-aside for retirement)	337,536	0.9%	
Clean Generation Set-Aside	1,875,199	5.0%	
Industrial Exemption	3,450,366	9.2%	
Long-term Contracts	1,687,679	4.5%	
Total (2009)	37,503,983	100%	

Program Allocation based on: Subtitle 09 Maryland CO2 Budget Trading Program (http://www.dsd.state.md.us/comar/subtitle_chapters/26_Chapters.htm#Subtitle09)

	Auctions 1-2	
	Allowances	Mean Price
2009 Vintage:	10,663,562	\$3.23
Projected Auction Proceeds Recipients		
Energy Efficiency	46%	\$15,819,394
Low-income Rebates	17%	\$5,846,298
General Rebates	23%	\$7,909,697
Clean Energy, Education, & Climate Programs	10.5%	\$3,610,949
State Administration	3.5%	\$1,203,650
Total	100%	\$34,389,987

Source: Senate Bill 268 (<http://mlis.state.md.us/2008rs/bills/sb/sb0268e.pdf>)

	Auctions 3-7		Auction 8		Totals to date	
	Allowances	Mean Price	Allowances	Price	Allowances	Mean Price
Control Control Period 1 (2009-2011):	29,206,002	\$2.77	7,528,873	\$1.88	47,398,437	\$2.75
Control Control Period 2 (2012-2014):	1,862,138	\$2.24	376,444	\$1.86	2,238,582	\$2.16
Projected Auction Proceeds Recipients						
Energy Efficiency	17.5%	\$13,803,239		\$2,599,532		\$32,222,165
Low-income Rebates	50%	\$53,709,670		\$7,427,234		\$66,983,202
General Rebates	23%	\$24,231,867		\$3,416,527		\$35,558,091
Clean Energy, Education, & Climate Programs	6.5%	\$7,127,555		\$965,540		\$11,704,044
State Administration	3%	\$3,361,860		\$445,634		\$5,011,143
Total	100%	\$78,875,651		\$14,854,467		\$128,120,106

Source: MD Senate Bill 101 (<http://mlis.state.md.us/2009rs/bills/hb/hb0101e.pdf>)



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Massachusetts

Program	Allowances	Allocation %
Auction	26,313,621	98.7%
Voluntary Clean Energy (set-aside for retirement)	119,971	0.5%
310 CMR Allowance Conversion	226,612	0.9%
Total (2009)	26,660,204	100%

	Auctions 1-7		Auction 8		Totals to date	
	Allowances	Mean Price	Allowances	Price	Allowances	Mean Price
Control Control Period 1 (2009-2011):	17,510,136	\$2.91	6,571,301	\$1.88	39,427,806	\$2.75
Control Control Period 2 (2012-2014):	1,553,449	\$2.24	333,253	\$1.86	1,886,702	\$2.16
Projected Auction Proceeds Recipients						
Electric and N-Gas Energy Efficiency Programs	80%	\$74,643,133	\$10,379,117	\$85,022,251		
State EE, RE, and Rate Relief Programs	20%	\$18,660,783	\$2,594,779	\$21,255,563		
Total	100%	\$93,303,917	\$12,973,896	\$106,277,813		

Program Allocations based on:

310 CMR 7.70 Massachusetts CO2 Budget Trading Program
www.mass.gov/dep/air/climate/index.htm#rggi

Proceeds Recipients based on:

An Act Relative to Green Communities
<http://www.mass.gov/legis/laws/seslaw08/sl080169.htm>



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New Hampshire

Program	Allowances	Allocation %
Auction	5,948,050	69%
Voluntary Clean Energy (set-aside for retirement)	86,205	1%
Env-A 2900 Allowance Conversion	2,500,000	29%
Emergency Account	86,205	1%
Total (2009)	8,620,460	100%

	Auctions 2-7~		Auction 8		Totals to date	
	Allowances	Mean Price	Allowances	Price	Allowances	Mean Price
Control Control Period 1 (2009-2011):	7,607,473	\$2.90	1,487,013	\$1.88	9,094,486	\$2.72
Control Control Period 2 (2012-2014):	409,413	\$2.24	86,850	\$1.86	496,263	\$2.16
Projected Auction Proceeds Recipients*						
Low Income Energy Efficiency Programs	9%	\$1,829,746		\$258,072		\$2,087,818
General Energy Efficiency Programs	79%	\$16,467,711		\$2,322,652		\$18,790,363
Transfer to State Budget	13%	\$3,100,000		\$0		\$3,100,000
Total	100%	\$21,397,457		\$2,957,125		\$24,354,582

*Up to \$6/ton, overage rebated

~ NH did not contribute allowances to auction 1 as regualtions were not finalized in time

Program Allocations based on:

Env-A 4600 CO2 Budget Trading Program

<http://des.nh.gov/organization/commissioner/legal/rulemaking/documents/env-a4600interim.pdf>

Proceeds Recipients based on:

Chapter Puc 2600 Greenhouse Gas Emissions Reduction Fund

<http://www.puc.state.nh.us/EESE%20Board/101708Mtg/Puc%202600%20Adopted%20interim%20Proposed%20-%202010-24-08.pdf>



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New Jersey

Program	Per Regulation		With Unused Set-aside Allowances	
	Allowances	Allocation %	Allowances	Allocation %
Auction	22,663,803	up to 99%	16,963,803	74%
Voluntary Clean Energy (set-aside for retirement)	228,927	up to 1%	228,927	1%
Combined Heat and Power (CHP)	to be det.	to be det.	to be det.	to be det.
Long-term Contracts (allowances sold at \$2/ton)	to be det.	to be det.	5,700,000	25%
Total (2009)	22,892,730	100%	22,892,730	100%

	Auctions 2-7		Auction 8		Totals to date	
	Allowances	Mean Price	Allowances	Price	Allowances	Mean Price
Control Control Period 1 (2009-2011):	21,131,282	\$2.90	4,174,827	\$1.88	25,306,109	\$2.72
Control Control Period 2 (2012-2014):	1,332,240	\$2.24	279,991	\$1.86	1,612,231	\$2.16
Projected Auction Proceeds Recipients						
Commercial and Industrial Energy Efficiency, CHP, and Renewable Energy	7%	\$0	\$542,762	\$542,762	\$542,762	\$542,762
Low & Moderate Income Energy Efficiency	2%	\$0	\$180,921	\$180,921	\$180,921	\$180,921
Local Govt. Emissions Reduction Programs	1%	\$0	\$90,460	\$90,460	\$90,460	\$90,460
Forest & Wetlands Programs	1%	\$0	\$90,460	\$90,460	\$90,460	\$90,460
Transfer to State Budget	89%	\$64,507,341	\$492,659	\$65,000,000	\$65,000,000	\$65,000,000
Total	100%	\$64,507,341	\$8,369,458	\$72,876,799	\$72,876,799	\$72,876,799

Note: Admin. costs (up to 8% of proceeds) included in program funding

* NJ did not contribute allowances to auction 1 as regulations were not finalized in time

Program Allocations based on:

N.J.A.C. 7:27C. - CO2 Budget Trading Program
<http://www.state.nj.us/dep/aqm/27C.pdf>

Proceeds Recipients based on:

NJ Legislature Chapter 340
http://www.njleg.state.nj.us/2006/Bills/PL07/340_.PDF



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New York

Program	Allowances	Allocation %
Auction	60,429,870	94.0%
Voluntary Clean Energy (set-aside for retirement)	700,000	1.1%
Limited Cogen Exemption	1,680,935	2.6%
Long Term Contracts	1,500,000	2.3%
Total (2009)	64,310,805	100%

	Auctions 2-7 [~]		Auction 8		Totals to date	
	Allowances	Mean Price	Allowances	Price	Allowances	Mean Price
Control Control Period 1 (2009-2011):	75,565,892	\$2.90	15,136,022	\$1.88	90,701,914	\$2.72
Control Control Period 2 (2012-2014):	3,640,745	\$2.24	756,801	\$1.86	4,397,546	\$2.16
Projected Auction Proceeds Recipients						
Transfer to State Budget	37.0%	\$90,000,000		\$0		\$90,000,000
Litigation Settlement with Indeck and Con Edison Residential, Commercial, Industrial and Municipal Sector Energy Efficiency*	3.1%	\$7,658,707		\$0		\$7,658,707
Transportation Efficiency and R&D	5.9%	\$12,634,750		\$1,768,225		\$14,402,975
Sustainable Agriculture & Bioenergy	0.8%	\$1,648,011		\$230,638		\$1,878,649
Renewable and Low Carbon Power	8.8%	\$18,677,457		\$2,613,898		\$21,291,355
Climate Research & Clean Technology	3.9%	\$8,423,167		\$1,178,817		\$9,601,983
State and RGGI, Inc. Administrative Costs	8.1%	\$17,285,803		\$2,419,137		\$19,704,940
Total	100%	\$213,386,994		\$29,863,371		\$243,250,365

* Includes efficiency programs from NYSERDA's Revised Operating Plan and programs implemented under Green Jobs—Green NY, the statutorily mandated energy efficiency and workforce training program that will use \$112 million in RGGI proceeds over a three year period (<http://www.nyserdera.org/GreenNY/>)

[~] NY did not contribute allowances to auction 1 as regulations were not finalized in time

Program Allocations based on:

Express Terms, Part 242 CO2 Budget Trading Program

<http://www.dec.ny.gov/regulations/43598.html>

Proceeds Recipients based on:

Revised NYSERDA RGGI Operating Plan of 3/1/10 - http://www.nyserdera.org/RGGI/Program%20Planning/revised_rggi_summary_march1.pdf



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Rhode Island

Program	Allowances	Allocation %
Auction	2,632,647	99%
Voluntary Clean Energy (set-aside for retirement)	26,592	1%
Total (2009)	2,659,239	100%

	Auctions 1-7		Auction 8		Totals to date	
	Allowances	Mean Price	Allowances	Price	Allowances	Mean Price
Control Control Period 1 (2009-2011):	3,326,808	\$2.91	658,162	\$1.88	3,984,970	\$2.75
Control Control Period 2 (2012-2014):	155,129	\$2.24	32,908	\$1.86	188,037	\$2.16
Projected Auction Proceeds Recipients						
Energy Efficiency Programs	100%	\$9,344,844	\$1,298,553		\$10,643,398	
Total	100%	\$9,344,844	\$1,298,553		\$10,643,398	

Program Allocations based on:

APC Regulation No. 46 - CO2 Budget Trading Program

www.dem.ri.gov/rggi/index.htm

Proceeds Recipients based on:

RI Office of Energy Resources - 2009 Plan for the Allocation and Distribution of Regional Greenhouse Gas Initiative Auction Proceeds

<http://www.energy.ri.gov/documents/Proposed.pdf>



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Vermont

Program	Allowances	Allocation %
Auction	1,213,572	99%
Voluntary Clean Energy (set-aside for retirement)	12,258	1%
Total (2009)	1,225,830	100%

	Auctions 1-7		Auction 8		Totals to date	
	Allowances	Mean Price	Allowances	Price	Allowances	Mean Price
Control Control Period 1 (2009-2011):	1,516,965	\$2.91	303,393	\$1.88	1,820,358	\$2.75
Control Control Period 2 (2012-2014):	71,507	\$2.24	15,169	\$1.86	86,676	\$2.16
Projected Auction Proceeds Recipient						
Heating and Process Energy Efficiency Programs	100%	\$4,307,690		\$598,593		\$4,906,283
Total	100%	\$4,307,690		\$598,593		\$4,906,283

Program Allocations based on:

Public Service Board Staff Report for RGGI Implementation

<http://www.state.vt.us/psb/document/RGGI/RGGI%20Staff%20Report.pdf>

Proceeds Recipients based on:

PSB Chapter 30, Section 255

<http://www.leg.state.vt.us/statutes/fullsection.cfm?Title=30&Chapter=005&Section=00255>



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