

# **RGGI, Conservation, and Affordable Housing**

*for the Partners in Innovation: Preserving  
Affordable Rental Housing through Energy  
Conservation*

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*The Regulatory Assistance Project*

Vermont ♦ Maine ♦ New Mexico ♦ California

Website: <http://www.raonline.org>



# Emissions and Housing

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- **Building sector** nationwide is responsible for **substantial energy use** and presents significant **potential for GHG emissions reductions**.
- In **northeast** – especially due to the heavy use of **heating oil** for space heating – the **residential building sector** contributes an even **greater proportion of GHG emissions** than in other states.



# Cap-and-trade

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- A policy mechanism that places **emissions restrictions on a certain class of polluters within a geographic area.**
- **Allowances** are created **in an amount that reflects** the total **tonnage of emissions** within that area.
- That limit, also known as a “**budget,**” **can remain constant** or it can **change; i.e., it can be lowered over time.**
- **Polluters acquire allowances, and surrender them** at the end of each compliance period.

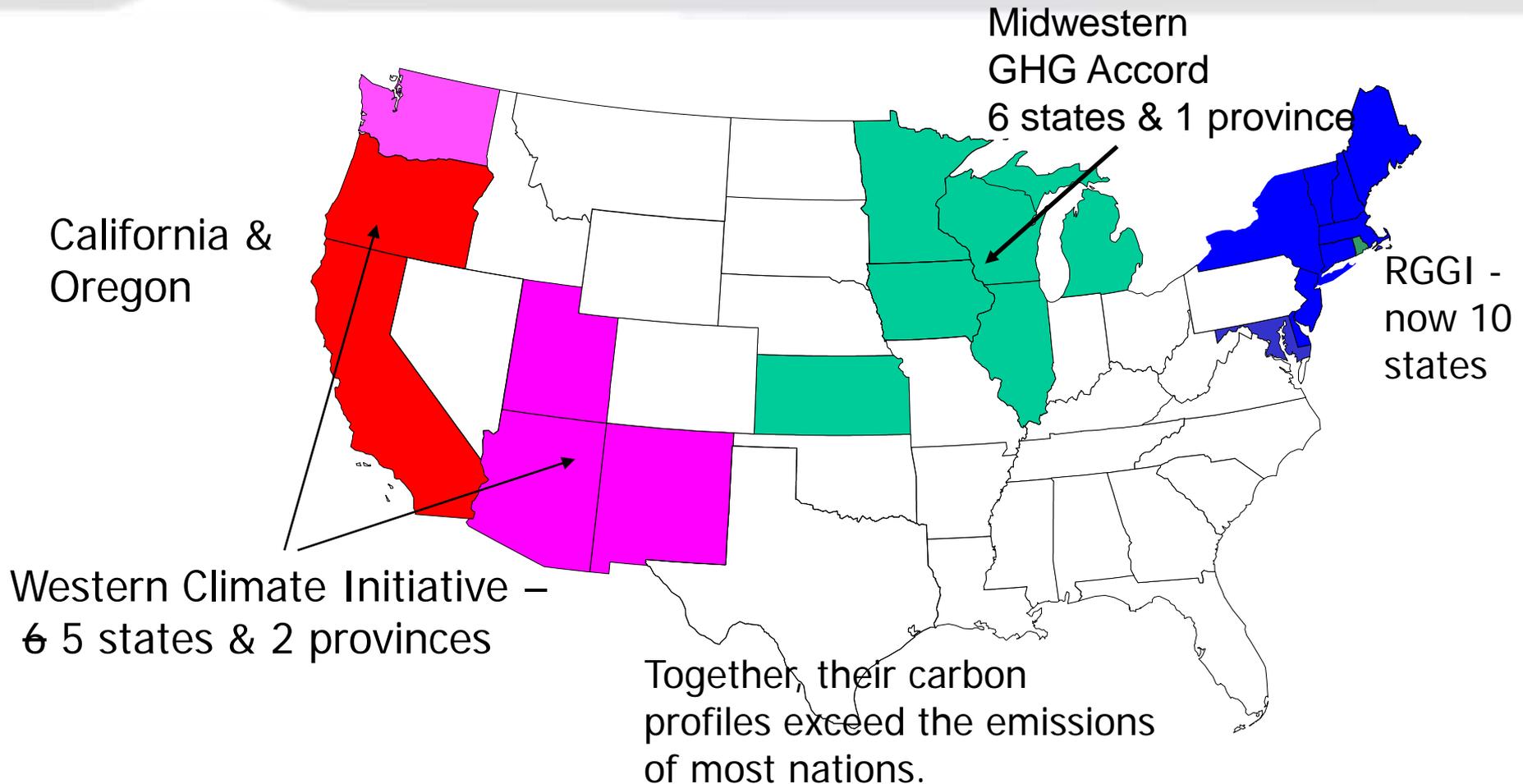


# Cap-and-Trade

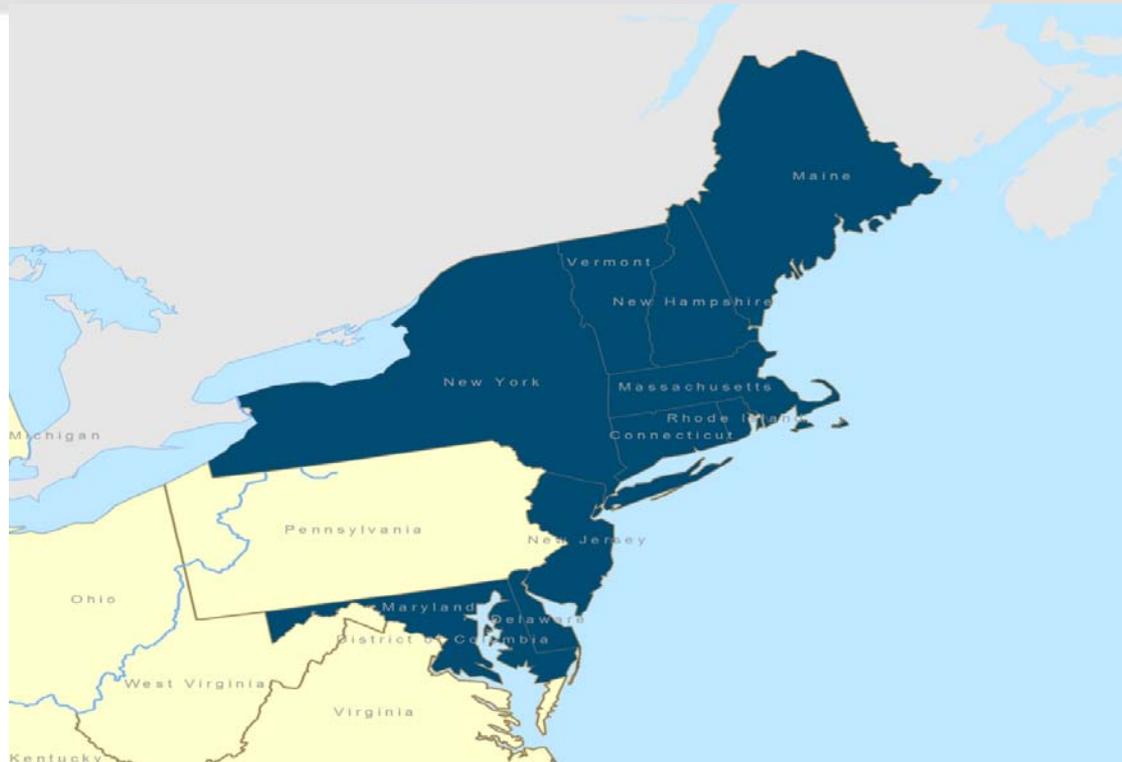
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- The **“trade”** part of a cap-and-trade is designed to encourage emitters to **meet their regulatory requirements at the lowest cost possible.**
- The assumption: **some emitters can reduce** emissions at a **lower cost, and if so, they have allowances to sell** to others who find it more expensive to reduce.
- The system **encourages the lowest-cost solutions.** As long as all the polluters in the class and geographic area **stay “under the cap,”** (if the total number of allowances does not exceed the budget) then the environmental goal is met.

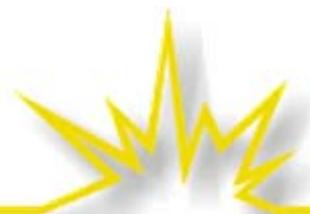
# Regional Carbon Initiatives



# The Regional Greenhouse Gas Initiative: *RGGI*



RGGI is the combination of **ten different** state **programs** that look alike, and share a common auction platform.



# RGGI

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- **Coverage:** Fossil fuel-fired electric power plants 25 megawatts or greater in size (approximately 225 facilities region-wide).
- **Cap/Budget:** Approx. 188 million tons for the ten states, divided, more or less, on the basis of historical CO<sub>2</sub> emissions.
  - **Size of cap:** from 2009-2014, cap stabilizes emissions; from 2015-2018, cap reduces by 2.5 percent each year. In 2018 cap will be 10 percent below 2009 level.
- The **RGGI Memorandum of Understanding (MOU)** sets out the essential elements of a proposed model rule, adopted by each participating state.



# RGGI

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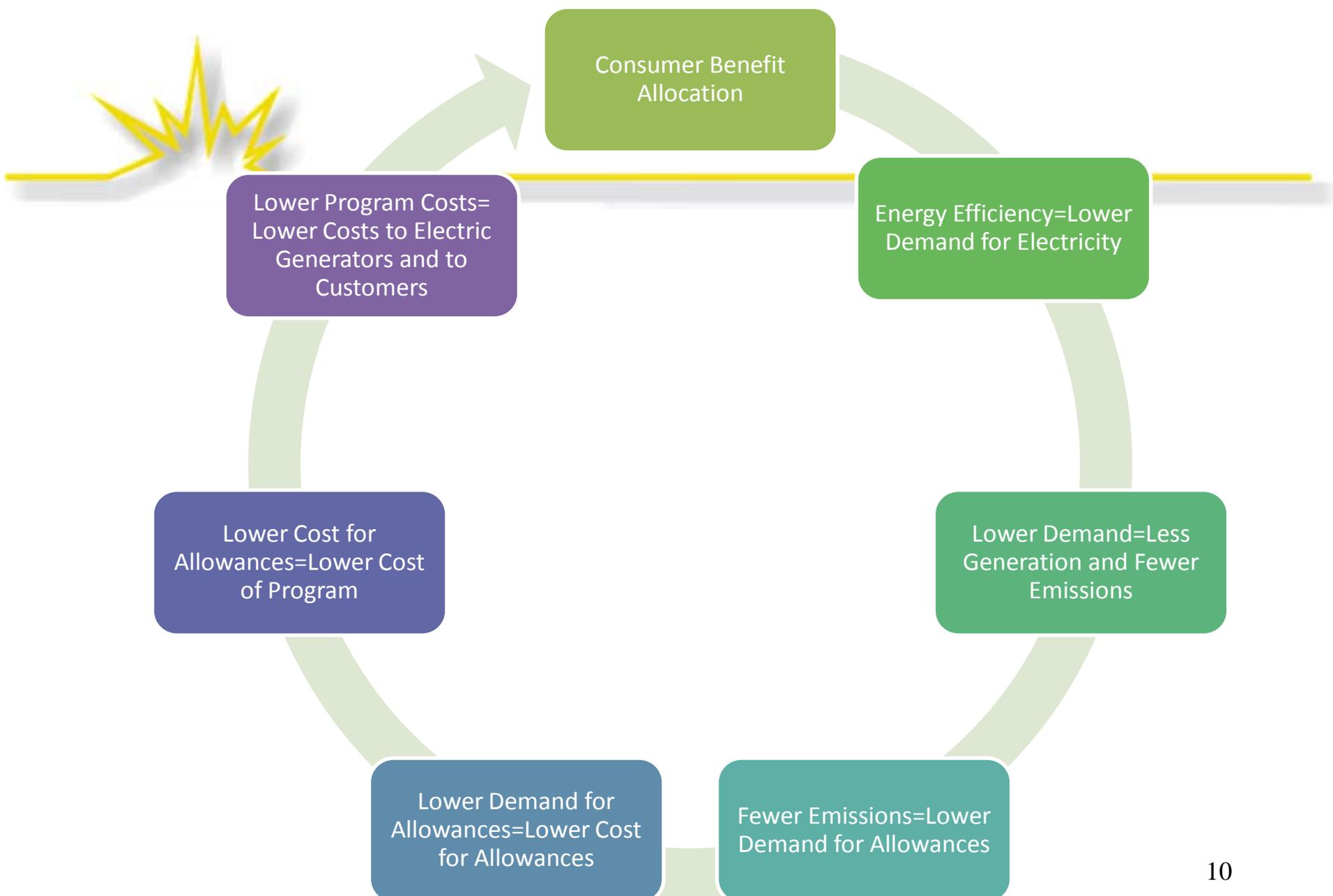
- **Effective Date:** January 1, 2009.
- **3-Year Compliance Period:** First period 2009 – 2011.
  - Regulated entities must have allowances in the same amount as the tons they have emitted.



## RGGI: The Consumer Benefit Allocation

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- In MOU, States agree: **25% of allowance value for the Benefit of Consumers – In practice, over 50% invested.**
- **The RGGI approach: Auction allowances and use revenue to fund demand reductions, i.e. conservation.**





## Examples of How Some States Use RGGI Revenues (Approx.)

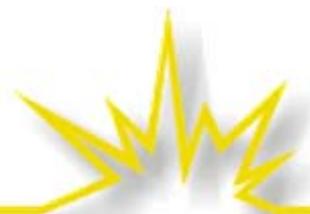
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**ME:** (Auctioning 88%) (10% CHP)(2% Vol. Renewable)  
\$ (85% EE; 15% fossil-fuel EE)

**MD:** (Auctioning approx 85%)  
\$ (45% EE, 17% low-income elec.  
assistance, and 10% clean energy education)

**NH:** (Auctioning min. 69%)  
\$ (10% low-income EE, 90%)

**VT:** (Auctioning 99%) (1% Vol. Clean Energy)  
\$ (95% all fuels efficiency)



# RGGI—Precedent Setting, e.g., Waxman Markey

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- Section 132 -- Support of **State Renewable Energy and Energy Efficiency Programs**
  - Allowances allocated to states under section 782(g)(1): 1/3rd equally among states; 1/3rd based on population; 1/3rd based on energy use.
  - At least 12.5% of allowance value shall be distributed to **local governments**.
  - At least 20% of allowance value to be used for **energy efficiency** purposes related to:
    - (A) building **codes** (section 201);
    - (B) *Retrofit for Energy and Environmental Performance Program* (section 202);
    - (C) **manufactured homes** (section 203);
    - (D) **energy performance labeling** (section 204); and
    - (E) **low-income community energy efficiency programs** (section 264).
  
- Section 782 **Natural Gas** Utilities must use **1/3** of their allocation for **energy efficiency**

# Some Conclusions



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- Challenge: Map a path that **achieves** deep **emissions reductions** and **minimizes** economic **disruption**.
- Principal aim of cap-and-trade: **Lower** the overall societal **cost** of environmental improvement.
- The RGGI approach: Employ the **lowest-cost** emission **reductions** available to the economy, and avoid creating unnecessary costs.



# Additional Conclusions

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- **State policies** can provide this foundation and should constitute the **first step** in achieving these goals.
- **Advocates can help policy-makers** appreciate that a cap-and-trade program for the electricity sector can successfully auction emissions allowances and provide for the strategic reinvestment of associated revenues into end-use energy efficiency, including new and existing housing stock.
- **Reinvestment of carbon revenues** into electric and thermal efficiency
  - significantly **reduce emissions and program costs**,
  - **benefit low- and moderate-income households** by limiting exposure to disproportionate and excessive energy costs.



# Further Reading

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- **RGGI website** <http://www.rggi.org/about/documents>
- **Environment Northeast Website on RGGI**  
<http://www.environmentne.org/projects/open/p/id/331/program/Climate%20Change%20Solutions>
- **Climate Policy and Affordability: Advocacy Opportunities in the Northeast**, Farnsworth et al,  
[http://www.raonline.org/docs/RAP\\_Farnsworth\\_ClimatePolicyinNortheast\\_2009\\_09\\_18.pdf](http://www.raonline.org/docs/RAP_Farnsworth_ClimatePolicyinNortheast_2009_09_18.pdf)



# Thank you!

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- Email: [dfarnsworth@raponline.org](mailto:dfarnsworth@raponline.org)
- Web: [www.raponline.org](http://www.raponline.org)
- RAP is a non-profit, non-governmental organization, founded in 1992. We provide technical and educational assistance to government officials on energy and environmental issues. RAP Principals are former state utility and environmental regulators, consumer advocates, and energy efficiency professionals.
- Mission: RAP is committed to fostering regulatory policies for the electric industry that encourage economic efficiency, protect environmental quality, ensure system reliability, and allocate system benefits fairly to all customers.
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