

# Protect RGGI Auction Revenue

## New York Should Set a Green Example for the Nation

Precious RGGI auction resources need to be protected to ensure their best use. A statutory program will leverage these dollars to good effect far into the future, when decisions about the use of these resources could be made by less environmentally conscientious leaders.

The continued successful implementation of the Regional Greenhouse Gas Initiative, and how New York decides to invest the auction revenues, is an essential component of the state's efforts to reduce its contribution to global warming.



RGGI auctions to date have functioned well, sending a clear signal to the nation and the world that carbon can be effectively regulated through a cap-and-trade system.

With the federal debate on climate policy well underway, it is paramount that New York demonstrates it can wisely invest the proceeds from these allowance auctions to leverage the regional climate plan for maximum environmental and consumer benefit.

### For more information

Environmental Advocates of New York  
[www.eany.org](http://www.eany.org)

Regional Greenhouse Gas Initiative  
[www.rggi.org](http://www.rggi.org)

The New York State Department of  
Environmental Conservation  
[www.dec.ny.gov](http://www.dec.ny.gov)

New York State Energy Research &  
Development Authority  
[www.nyserda.org](http://www.nyserda.org)

### Citations

<sup>1</sup>A 2005 Massachusetts Division of Energy Resources study concluded that investing RGGI proceeds in energy efficiency will actually result in a reduction in consumer utility bills.

<sup>2</sup>1 allowance/permit = 1 short ton of carbon dioxide.

<sup>3</sup><http://www.nyserda.org/RGGI/default.asp>.

• Printed with soy ink on  recycled paper •

# The Regional Greenhouse Gas Initiative

## Using RGGI Proceeds to Conserve Energy & Reduce Pollution



### About RGGI

The Regional Greenhouse Gas Initiative (RGGI) is the nation's first cap-and-trade program to reduce carbon dioxide emissions from power plants. The 10-state effort will stabilize emissions through 2015, and then gradually reduce the cap to achieve a 10 percent reduction by 2018. Together, the 10 state programs function as a single regional compliance market for carbon emissions.

### Wise Use of New York's RGGI Dollars

New York is one of 10 northeastern states participating in the nation's first enforceable plan to reduce climate-altering pollution from power plants, the Regional Greenhouse Gas Initiative (RGGI).

As of May 2009, the regional climate plan has brought nearly \$90 million to New York State, the result of the purchase of carbon dioxide auction allowances, or "permits to pollute," by power plants and others. In the next three years, RGGI auctions are estimated to generate more than \$600 million in revenue for New York.

How New York chooses to invest these monies will have a direct impact on both the program's effectiveness in further reducing greenhouse gas emissions and saving consumers money on their utility bills.<sup>1</sup>

New York needs a statutory program to ensure that RGGI dollars are put to best use. Devoting these resources to energy efficiency and clean, renewable energy projects will reduce the pollution that is changing the climate and maximize the effort's effectiveness.

## Leverage RGGI Auction Revenue for Maximum Benefit

# Reduce Pollution & Consumer Costs

## Making Polluters Pay Reduces Consumer Costs

During the planning phase, the 10 states participating in the regional climate effort agreed to auction at least one-quarter of carbon dioxide allowances. However, further analysis by state officials, auction experts, and environmental and energy groups resulted in most states deciding—either through regulation or legislation (or both)—to auction nearly 100 percent of the allowances.

Using the proven “polluter pays” principle generates revenue that states can invest in energy efficiency and clean renewable energy, further reducing greenhouse gas emissions while minimizing the impact on consumers’ utility bills.

## Climate Auctions & RGGI Revenues

The first auction under the regional climate program was held on September 25, 2008; six of the 10 RGGI states participated. The second and third auctions, which included all of the states, were held on December 17, 2008, and March 18, 2009. Going forward, auctions of emissions allowances will be held quarterly.

At each auction, the bids submitted determine the “clearing price” per allowance to be paid by all participants. In the first three auctions, the clearing price ranged from \$3.07-\$3.51/ton.<sup>2</sup> These three auctions have generated more than \$262 million for the participating states.



## New York Matters

Each state is allocated a set number of allowances based on historical emissions data. As New York is responsible for the largest portion of the Northeast’s carbon dioxide emissions, it therefore receives the largest portion of allowances and generates the largest auction revenue stream.

Each RGGI state has handled the regulatory and/or legislative adoption and implementation of RGGI in its own way.

In New York, RGGI was implemented through regulations adopted by the Department of Environmental Conservation and the New York State Energy & Research Development Authority (NYSERDA). Auction allowances and revenues are managed by NYSERDA. The Authority’s Board of Directors has approved an Operating Plan to direct how these monies are spent through the end of State Fiscal Year 2011-2012.

# Increase Environmental Benefits

## RGGI Investments Spread Too Thin

NYSERDA’s Operating Plan covers a three-year period and defines how approximately \$525 million of RGGI auction proceeds will be invested in 14 programs. Roughly three-quarters of these revenues will be used to reduce climate-altering greenhouse gas emissions in the near term; one-quarter of funds are dedicated to longer-term investments.

At a March 2009 meeting of the RGGI Advisory Group, which includes the power sector, academia and the business community, as well as environmental and energy groups, many expressed concerns about the Plan. While criticisms varied, many feel that the current approach will spread the resources too thin, diluting their impact. NYSERDA plans to revisit the operating plan in six months to make changes if necessary, although there is no statutory requirement to do so.

## Need for Oversight

To ensure the best use of RGGI auction proceeds, New York should create a statutory program that makes these revenues subject to appropriation for a focused suite of programs and designates NYSERDA as the primary administrator of such funds.

A well-structured statutory program will establish a framework for legislative hearings and contact with state lawmakers, as well as the apparatus for debating questions about how money is allocated. While staff at state authorities and agencies may be well-intentioned, neither is directly accountable to New Yorkers. And most residents do not know who to contact at state agencies to express their concerns.

A statutory program will ensure that RGGI spending is tracked and accounted for by the State Comptroller, providing the public with the opportunity to monitor spending, cash flow and projects supported with these public funds.

Under this framework, RGGI dollars will support critical investments in energy efficiency and clean energy, reducing global warming pollution and leveraging the 10-state effort for maximum benefit. A properly designed statutory program will ensure that RGGI monies are spent quickly on proven, cost-effective measures such as energy efficiency installations in the building sector, among others. These investments will be made in a timely manner, minimizing the risk of monies being “swept” for budget relief or projects unrelated to reducing climate pollution.

A statutory program could also provide dedicated revenue to the Department of Environmental Conservation’s State Office of Climate Change, affording the agency the resources to fund staff to administer the regional climate effort.

## RGGI Investments by Sector (in millions of dollars)\*

Sector	Three-Year Program Funding	Percent of Funding
Residential, Commercial, Industrial & Municipal	\$230,620	43.9%
Transportation	\$93,000	17.7%
Electric Power Supply & Delivery	\$103,400	19.7%
Sustainable Agriculture & Bio-energy	\$10,000	1.9%
Multi-Sector**	\$87,979	16.8%
<b>Total</b>	<b>\$524,999</b>	<b>100%</b>

\* Source: NYSERDA

\*\* Approximately \$40 million of these funds are dedicated to a competitive greenhouse gases reduction program open to projects from all sectors.

The complete NYSERDA RGGI Operating Plan, along with comments filed by various parties, can be accessed at <http://www.nyserdera.org/RGGI/default.asp>.<sup>3</sup>