

Regional Greenhouse Gas Initiative

an Initiative of the Northeast and Mid-Atlantic States of the U.S.

Second Control Period Interim Adjustment for Banked Allowances Announcement

March 17, 2014

The Regional Greenhouse Gas Initiative (RGGI) is a cooperative effort of nine Northeast and Mid-Atlantic States--Connecticut, Delaware, Maine, Massachusetts, Maryland, New Hampshire, New York, Rhode Island, and Vermont--to regulate and reduce carbon dioxide (CO₂) emissions from the power sector.

The Participating States conducted a comprehensive 2012 program review¹ and released an updated Model Rule.² In accordance with each state's independent legal authority, each of the Participating States has revised its CO₂ Budget Trading Program³ in order to be substantially consistent with the updated Model Rule.

I. Interim Adjustments to CO₂ Allowance Base Budget for Banked Allowances

The updated Model Rule contains language to address the private bank of allowances through two distinct interim budget adjustments.

- **The First Control Period Interim Adjustment for Banked Allowances** is a reduction to the CO₂ allowance base budget equivalent to the private bank of first control period allowances (allocation year 2009, 2010, & 2011). The FCPIABA is made over the 7 year period 2014-2020.
- **The Second Control Period Interim Adjustment for Banked Allowances** is a reduction to the CO₂ allowance base budget equivalent to the private bank of 2012 and 2013 allocation year CO₂ allowances that are in addition to the total quantity of 2012 and 2013 CO₂ emissions⁴. The SCPIABA is made over the 6 year period 2015-2020.

II. First Control Period Interim Adjustment for Banked Allowances

On January 13, 2014, the Participating States announced the [First Control Period Adjustment](#) (FCPA) of 57,449,495 and the First Control Period Interim Adjustment for Banked Allowances (FCPIABA) for the nine Participating States of 8,207,664 for 2014⁵.

¹ For more information on the 2012 program review, see <http://www.rggi.org/design/program-review>.

² The Model Rule is available at http://www.rggi.org/docs/ProgramReview/FinalProgramReviewMaterials/Model_Rule_FINAL.pdf.

³ For more information on state CO₂ Budget Trading Programs, see <http://www.rggi.org/design/regulations>.

⁴ For emissions, see RGGI COATS [Summary Level Emissions Reports](#).

⁵ Due to state regulatory requirements, CT will be deducting an additional 593 CO₂ allowances from its CO₂ base budget for 2014 and an additional 1,582 CO₂ allowances per year from its CO₂ base budgets for 2015-2020.

Regional Greenhouse Gas Initiative

an Initiative of the Northeast and Mid-Atlantic States of the U.S.

III. Second Control Period Interim Adjustment for Banked Allowances

The Second Control Period Adjustment (SCPA) is 82,096,531. The Second Control Period Interim Adjustment for Banked Allowances (SCPIABA) for the nine Participating States is 13,683,744 for 2015 through 2019 and 13,683,745 for 2020⁶.

The following table provides an annual breakdown of the FCPIABA and SCPIABA from 2014 through 2020.

Table 1. First and Second Control Period Interim Adjustments for Banked Allowances							
	2014	2015	2016	2017	2018	2019	2020
Regional CO₂ Base Budget	91,000,000	88,725,000	86,506,875	84,344,203	82,235,598	80,179,708	78,175,215
First Control Period Interim Adjustment for Banked Allowances⁶	8,207,664	8,207,664	8,207,664	8,207,664	8,207,664	8,207,663	8,207,663 ⁷
Second Control Period Interim Adjustment for Banked Allowances⁶		13,683,744	13,683,744	13,683,744	13,683,744	13,683,744	13,683,745 ⁸
Regional CO₂ Budget After First and Second Control Period Interim Adjustments for Banked Allowances	82,792,336	66,833,592	64,615,467	62,452,795	60,344,190	58,288,301	56,283,807

Due to current allocation provisions in state regulations, an estimated 180,894 allowances for allocation years 2012 and 2013 in state set aside accounts will be distributed or auctioned after the second control period interim adjustment. These allowances are not included in the interim adjustment.

There are 279,758 New Jersey allowances for allocation year 2014 in circulation. The New Jersey allowances are in addition to the 9-state 2014 CO₂ allowance budget.

⁶ Due to state regulatory requirements, CT will be deducting an additional 593 CO₂ allowances from its CO₂ base budget for 2014 and an additional 1,582 CO₂ allowances per year from its CO₂ base budgets for 2015-2020.

⁷ The amount in row 2 does not divide evenly across the 7 year period 2014-2020. Therefore, there is one less allowance in 2019-2020 than for 2014-2018.

⁸ The amount in row 3 does not divide evenly across the 6 year period 2015-2020. Therefore, there is one more allowance in 2020 than for 2015-2019.

Regional Greenhouse Gas Initiative

an Initiative of the Northeast and Mid-Atlantic States of the U.S.

IV. Relevant Sections of Model Rule (Sections XX-1.2 and XX-5.3)

XX-1.2

First control period interim adjustment for banked allowances. An adjustment applied to the NAME OF RELEVANT RGGI STATE CO₂ Budget Trading Program base budget for allocation years 2014 through 2020 to address the surplus allocation year 2009, 2010, and 2011 allowances held in general and compliance accounts, including compliance accounts established pursuant to the CO₂ Budget Trading Program, but not including accounts opened by participating states.

Second control period interim adjustment for banked allowances. An adjustment applied to the NAME OF RELEVANT RGGI STATE CO₂ Budget Trading Program base budget for allocation years 2015 through 2020 to address the allocation year 2012 and 2013 allowances held in general and compliance accounts, including compliance accounts established pursuant to the CO₂ Budget Trading Program, but not including accounts opened by participating states, that are in addition to the aggregate quantity of 2012 and 2013 emissions from all CO₂ budget sources in all of the participating states.

XX-5.3

First control period interim adjustment for banked allowances. By January 15, 2014, the REGULATORY AGENCY shall determine the first control period interim adjustment for banked allowances quantity for allocation years 2014 through 2020 by the following formula:

$$\text{FCPIABA} = (\text{FCPA}/7) \times \text{RS}\%$$

Where:

FCPIABA is the first control period interim adjustment for banked allowances quantity in tons.

FCPA, the first control period adjustment, is the total quantity of allocation year 2009, 2010, and 2011 CO₂ allowances held in general and compliance accounts, including compliance accounts established pursuant to the CO₂ Budget Trading Program, but not including accounts opened by participating states, as reflected in the CO₂ Allowance Tracking System (COATS) on January 1, 2014.

RS% is RELEVANT RGGI STATE'S 2013 BUDGET DIVIDED BY THE 2013 REGIONAL BUDGET.

Second control period interim adjustment for banked allowances. On March 17, 2014, the REGULATORY AGENCY shall determine the second control period interim adjustment for banked allowances quantity the allocation years 2015 through 2020 by the following formula:

$$\text{SCPIABA} = ((\text{SCPA} - \text{SCPE})/6) \times \text{RS}\%$$

Where:

Regional Greenhouse Gas Initiative

an Initiative of the Northeast and Mid-Atlantic States of the U.S.

SCPIABA is the second control period interim adjustment for banked allowances quantity in tons.

SCPA, second control period adjustment, is the total quantity of allocation year 2012 and 2013 CO₂ allowances held in general and compliance accounts, including compliance accounts established pursuant to the CO₂ Budget Trading Program, but not including accounts opened by participating states, as reflected in the CO₂ Allowance Tracking System (COATS) on March 17, 2014.

SCPE, second control period emissions, is the total quantity of 2012 and 2013 emissions from all CO₂ budget sources in all participating states, reported pursuant to CO₂ Budget Trading Program as reflected in the CO₂ Allowance Tracking System (COATS) on March 17, 2014.

RS% is RELEVANT RGGI STATE'S 2013 BUDGET DIVIDED BY THE 2013 REGIONAL BUDGET.