

FAQs on Maine's Regional Greenhouse Gas Initiative Law of 2007 and administrative rules proposed to implement it

What is RGGI?

The Regional Greenhouse Gas Initiative or RGGI (pronounced "Reggie"), is a cooperative effort by ten Northeastern and Mid-Atlantic states to reduce carbon dioxide emissions that lead to global warming. In addition to Maine, participating states are New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, Delaware, New Jersey, New York, and Maryland.

What is the goal?

RGGI is part of a regional strategy to control emissions and reduce the region's contribution to global greenhouse gas emissions. The initiative will require electric power generators in the participating states to reduce their carbon dioxide emissions. This will be implemented through a multi-state cap-and-trade program with a market-based emissions trading system.

Which Maine power plants are impacted?

Currently six electric power producers in Maine are subject to the law:

- Florida Power and Light – Yarmouth
- Calpine – Westbrook
- Rumford Power – Rumford
- Verso Paper – Androscoggin
- Verso Paper – Bucksport
- Casco Bay Energy – Veazie.

How many allowances will Maine have?

Allowances are the trading mechanism assigned to emissions for the purposes of a cap-and-trade program. One emission allowance equals one ton of CO₂ emissions. Maine's total emissions allocation is 5.95 million tons or 5.95 million allowances, which is 3% of the region's total allowances. Each regulated power plant will need a sufficient number of allowances to cover its CO₂ emissions during each control period throughout the life of the program.

What will the impact be on electric rates?

A Maine-specific study of retail rate impacts conducted for the Office of the Public Advocate concluded that there could be a one-time increase in retail rates, and that this increase would be directly related to the price paid for the allowances. If allowances cost \$10 per ton of carbon dioxide, for example, the price effect is .5 cents per kilowatt-hour. This amounts to a 3% increase on total bills or \$30 on an annual bill for the average residential customer. At an allowance price of \$5 per ton, the effect is further reduced to a \$15 annual increase on a typical residential bill.

In addition, customers who actively participate in RGGI-financed efficiency programs and who actually install energy efficiency improvements and measures will receive benefits from RGGI in the form of lower monthly energy bills. Non-participating electric consumers in RGGI states that are part of restructured power markets also will receive a measurable benefit from that State's use of RGGI funds to support energy efficiency programs.

In what ways will Maine benefit?

The effects of climate change will have a significant affect on Maine because of the size of our coastline and our dependence on tourism, winter sports and outdoor recreation as revenue producers. Climate change will raise sea level, change precipitation and impact other local climate conditions. It could significantly alter Maine's forests, crop yields, water supplies, autumn foliage and maple syrup production. With so much at stake, participation in RGGI is vitally important. With or without Maine's participation, electric rates in all but Northern Maine will reflect the increased prices that result from RGGI compliance costs. Participating will enable Maine to mitigate those price impacts with the benefits that come from lower emissions and greater energy efficiency.

What has Maine done to implement RGGI?

LD 1851, the Regional Greenhouse Gas Initiative Act of 2007, was signed into law on June 18th by Governor John Baldacci, after many months of meetings, hearings and public roundtables. The law requires that 100% of Maine's CO₂ allowances be placed in a consumer benefit account. After a portion of those allowances are set-aside for the combined heat and power incentive program, the remainder of the allowances will be sold at auction. Revenues from selling the allowances will go for funding energy efficiency programs for all Maine customers and other greenhouse gas reduction projects.

How is the Maine RGGI law being carried out?

- The Department of Environmental Protection (DEP) has proposed CO₂ Budget Trading rules (Chapter 156) which address RGGI program applicability, permitting, monitoring and compliance requirements for fossil fuel-fired power plants generating more than 25MW. These technical rules also deal with exemptions, allowance allocations and offset projects.
- DEP's proposed CO₂ Budget Trading Program Waiver and Suspension rules (Chapter 157) define exceptional circumstances, financial and other, in which an affected energy plant may seek relief from DEP in the form of a waiver from the program.
- Auction rules are being developed separately to establish the conduct of auctions of CO₂ allowances, including timing, auction and bidding procedures, eligibility of bidders, and accounting.
- The Energy and Carbon Savings Trust is charged with developing major substantive rules to implement the sections of LD 1851 dealing with increased energy efficiency, conservation programs, assessments of transmission and

distribution utilities to fund such programs, and operation and administration of the Energy and Carbon Savings Trust Fund.

What is the timetable for implementation?

- The first phase of RGGI will begin January 1, 2009. The intent is to stabilize carbon dioxide emissions from electric power plants in the Northeast at their 2000 - 2004 four-year average during the first six years of the program from 2009 through 2014. At that point, the goal is to reduce emissions by 10% by 2019.
- In order to meet the January 2009 start date, the Legislature must approve major substantive rules during the 2008 legislative session.
- The Board of Environmental Protection will hold a public hearing on DEP's proposed Chapters 156 and 157 on September 6, 2007.

How do the proposed Maine rules differ from the ten-state RGGI Model Rule?

- Because Maine has a number of integrated manufacturing facilities that produce electricity and heat or steam for use in manufacturing other products and that may sell electricity transmitted on the electric grid (Combined Heat and Power units), our rules must recognize the highly efficient production and consumption of energy at these facilities, prevent harm from regulatory uncertainty and unintended or unnecessary effects on these facilities and ensure their availability, as needed from time to time, to enhance the reliability of the electric grid serving the state.
- Because CHP units have substantially reduced CO2 emissions from their facilities prior to the effective date of LD 1851 and operate as highly efficient resources, the rules must require such units to meet only the compliance obligation for that portion of power sold to the grid and require that allowances associated with such units' so-called "behind-the-meter" electrical generation be retired from the system. Such rules must be designed to recognize that full operation of generating units in existence on the effective date of the law, including highly efficient cogeneration facilities, is essential for the stability of the state's electric grid at times of peak demand for electricity.

What if a national program is enacted?

Many people acknowledge that a national program to reduce carbon emissions is the ideal, and the 2007 makeup of the US Congress may mean that will eventually happen. It is likely that a national program will adopt the same mechanism that RGGI will have already road-tested. Maine will therefore have an advantage because we will already have a structure in place and our citizens and businesses will already be educated about a market-based approach to reducing carbon emissions.