

## **Key Terms & Understandings (reorder based on when they are first heard in the presentation)**

1. **“Behind-the-meter CO2 emissions”** are those emissions associated with the electricity and thermal power used on-site and produced by a CO2 budget unit that is a CHP unit at an IMF.
2. **“CO2 allowance”** equals one ton of CO2 emissions.
3. **“CO2 allowance price”** is the price for CO2 allowances in the CO2 budget trading program for a particular time period as determined by the Department or its agent and calculated based on a volume-weighted average of reputably reported transaction prices.
4. **“CO2 budget trading program”** is the multi-state CO2 emissions reduction program established pursuant to this regulation and corresponding regulations in other states.
5. **“CO2 budget unit”** is a unit subject to the CO2 Budget Trading Program.
6. **“CO2 emissions offset project” or “Offset project”** is a project that reduces greenhouse gas emissions from a source that is not a CO2 budget unit. Current RGGI approved offset project types include landfill methane capture and destruction, agricultural methane capture and destruction, reduction in emissions of sulfur hexafluoride (SF6), sequestration of carbon due to afforestation, and reduction or avoidance of CO2 emissions from natural gas, oil, or propane end-use combustion due to end-use energy efficiency improvements.
7. **“CO2 offset allowance”** is a CO2 allowance awarded to the sponsor of an offset project.
8. **“Combined heat and power unit” or “CHP unit”** is a unit that generates electricity and thermal energy at a high efficiency by using the heat in the exhaust gases from a unit that is wasted in a typical power plant arrangement.
9. **“Control Period”** is the three year compliance period (unless extended to four years due to a stage two trigger event) at the end of which a CO2 budget unit must relinquish CO2 allowances equivalent to the covered CO2 emissions from the unit during the compliance period.
10. **“Eligible biomass”** are fuels used by a CO2 budget unit that are considered renewable on a sustainable basis and the CO2 emissions associated with the fuels may be subtracted from a unit’s compliance obligation.

11. **“Fossil fuel”** includes natural gas, petroleum, coal, or any fuels derived from such materials.
12. **“Fossil fuel-fired unit”** is a unit that burns more than 50% fossil fuels on an annual heat input basis if the unit began operation prior to 1/1/05 or a unit that burns more than 5% fossil fuels on an annual heat input basis if the unit began operation on or after 1/1/05.
13. **“General account”** is an account used to hold CO2 allowances that may be opened by any person.
14. **“Integrated manufacturing facility” or “IMF”** is a facility that has an air emission license and that produces electricity for sale from one or more CO2 budget units, including one or more CHP units.
15. **“IMF retirement account”** is a general account opened and managed by the Department and used to retire CO2 allowances associated with the CHP incentive program.
16. **“Market settling period”** means the first fourteen months of any control period.
17. **“Memorandum of understanding” or “MOU”** is the RGGI MOU signed by the governors of the northeast states committing to the establishment of a CO2 cap and trade program for the electric power sector.
18. **“Regional Greenhouse Gas Initiative” or “RGGI”** is the ongoing cooperative effort to implement a regional CO2 cap and trade program by the states of Maine, New Hampshire, Vermont, Connecticut, New York, New Jersey, Massachusetts, Rhode Island, Maryland, and Delaware and any other states that may join in the future.
19. **“Stage one threshold price”** is a CO2 allowance price set at \$7 for 2005 which is adjusted annually, and if exceeded, causes a stage one trigger event.
20. **“Stage one trigger event”** allows for an increase in the percentage of CO2 offset allowances that may be used for compliance from 3.3% to 5%.
21. **“Stage two threshold price”** is a CO2 allowance price set at \$10 for 2005 which is adjusted annually, and if exceeded, causes a stage two trigger event.
22. **“Stage two trigger event”** causes the control (compliance) period to be extended by one year and increases the percentage of CO2 offset allowances that may be used for compliance from 5% to 10%.
23. **“Ton”** is 2,000 pounds and is the equivalent of 0.9072 metric tons.