

NJ & RGGI

An Introduction to NJ Re-Entering the Regional Greenhouse Gas Initiative

Public Information Session
March 29, 2018



This presentation is provided for general informational purposes only. It does not reflect any agency decision or action.

Agenda

9:00 – 9:30 AM	Check-In and Networking
9:30 – 9:45 AM	Welcome
9:45 – 10:30 AM	RGGI History and Background
10:30 – 11:00 AM	RGGI Proceeds Rulemaking
12:30 – 1:30 PM	Lunch Break
1:30 – 2:00 PM	RGGI Mechanics Rulemaking
3:30 – 3:45 PM	Summary and Next Steps

RGGI History & Background

Global Warming Response Act

N.J.S.A 26:2C-37

- Enacted July 6, 2007
- Calls for 80% reduction in greenhouse gases from baseline year 2006 by 2050

How can we achieve this goal?

- Regional Greenhouse Gas Initiative
- Renewable Energy Portfolio
- Offshore Wind
- Electric Vehicles
- Natural Carbon Sinks
- Energy Efficiency



80%↓
from 2006 baseline by
2050

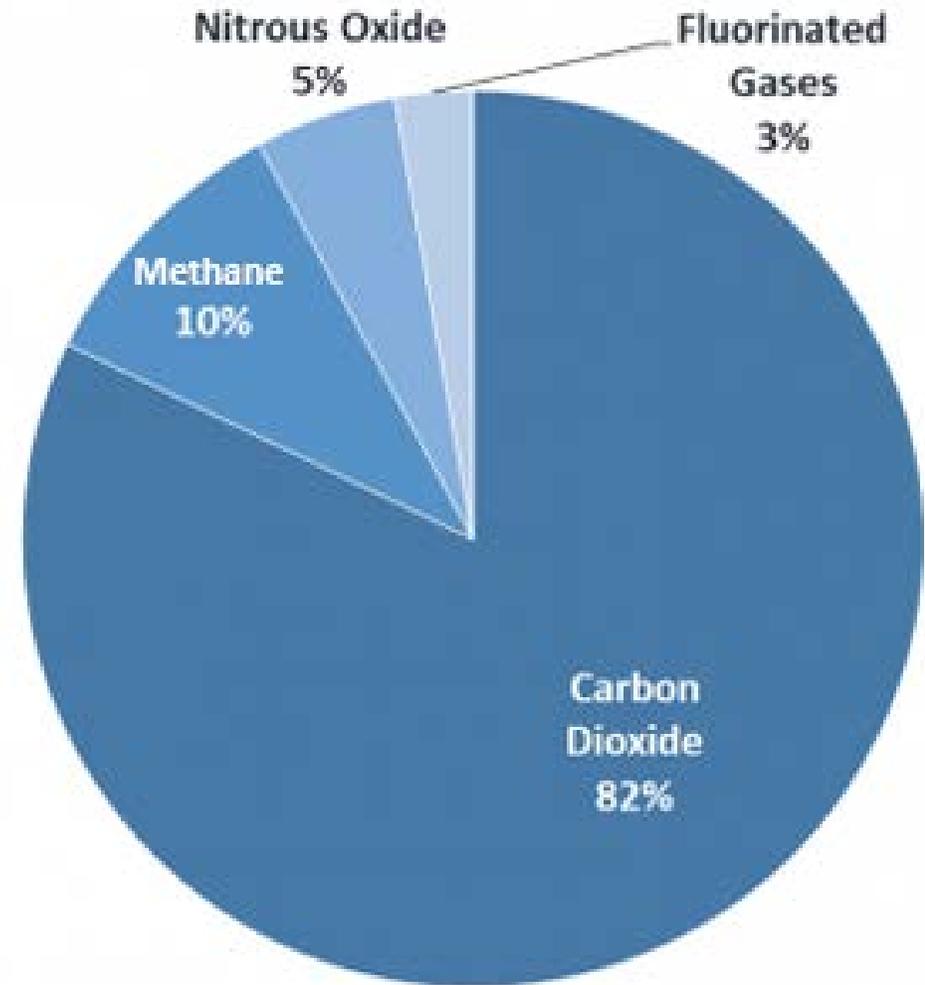
Greenhouse Gases and Climate Change Impacts

What are the Greenhouse Gases?

- Carbon Dioxide (CO₂)
- Methane
- Nitrous oxide
- Fluorinated gases

Climate Change Impacts:

- Higher temperatures
- Changes in precipitation
- Frequency of extreme events
- Sea level rise



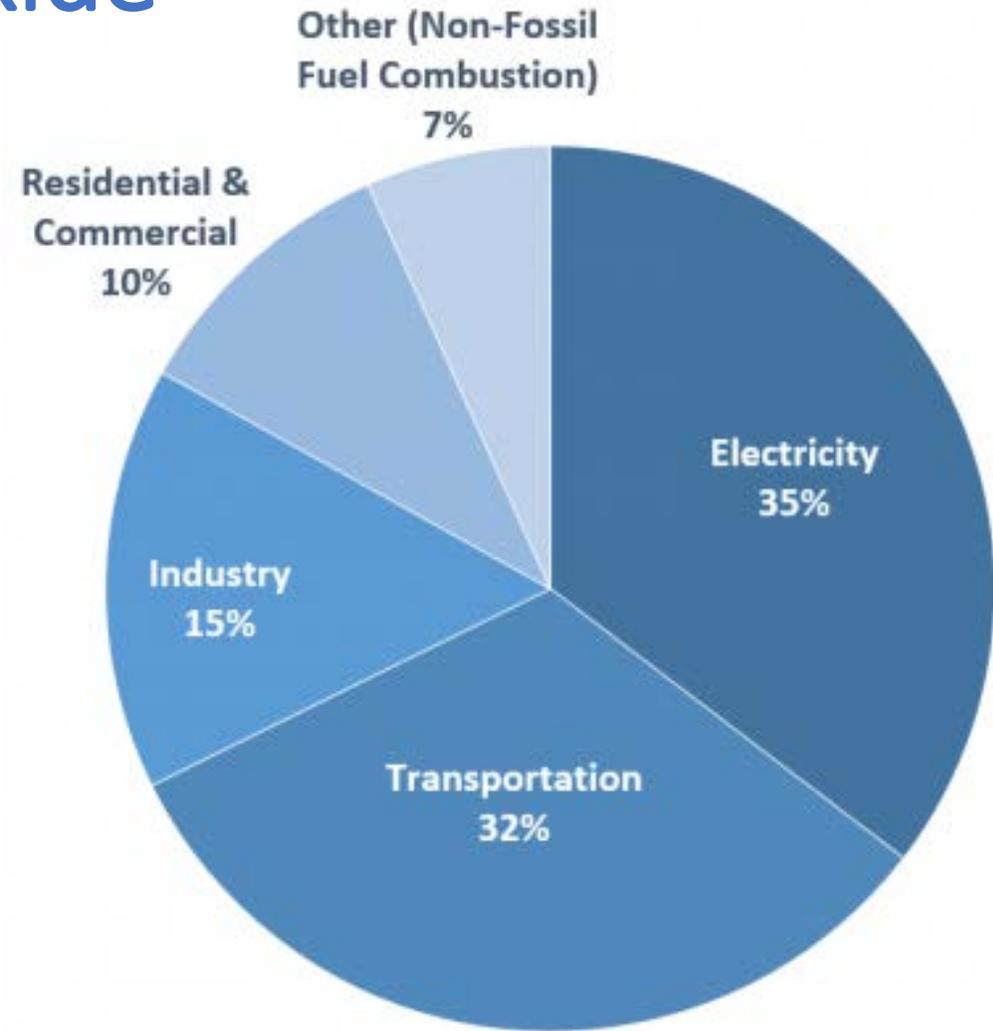
U.S. Greenhouse Gas Emissions in 2015 Source: EPA

Sources of US Carbon Dioxide Emissions

People are changing the carbon cycle primarily through the burning of fossil fuels

The top two sources are:

- Energy production
- Transportation



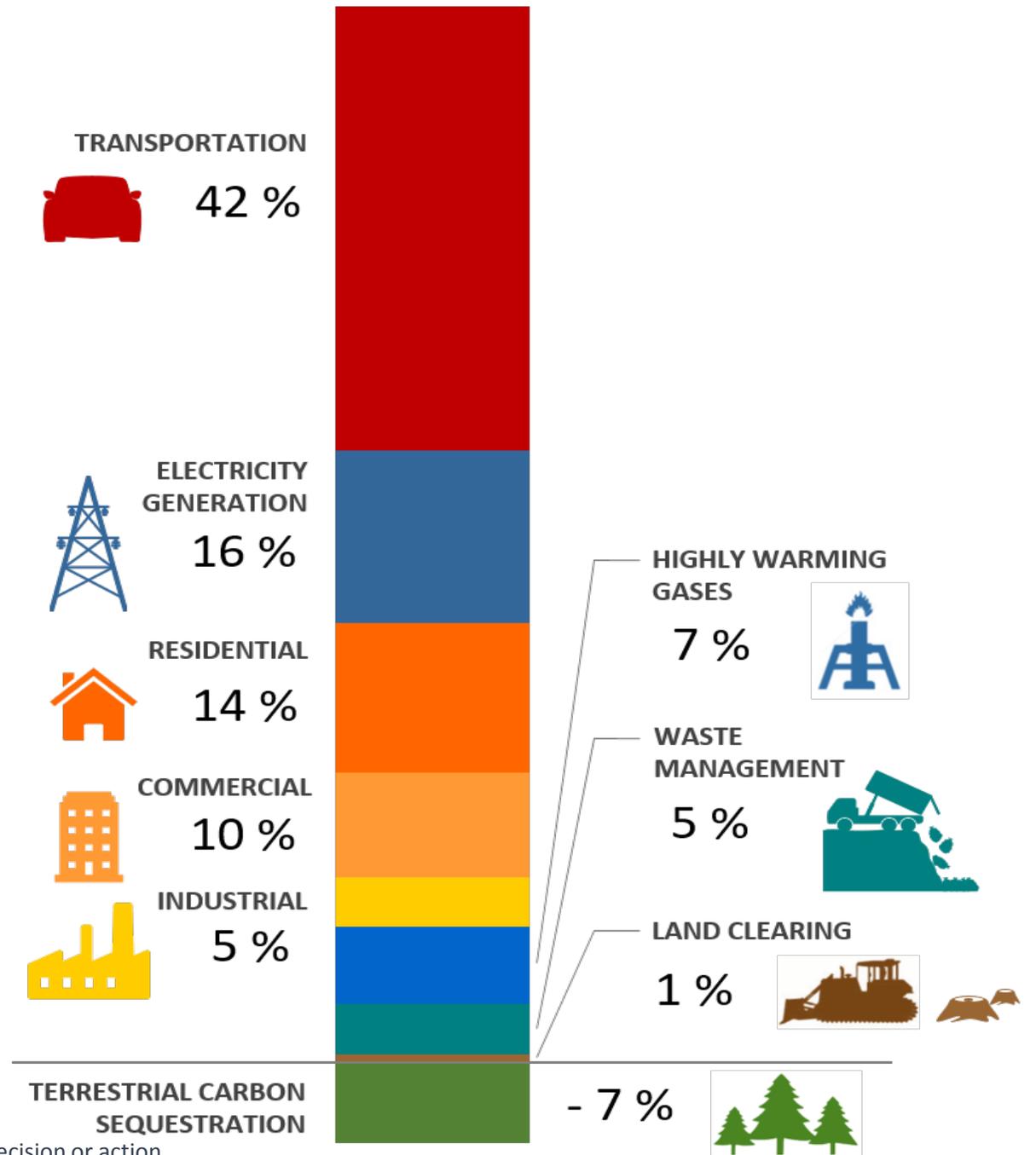
2015 U.S. Carbon Dioxide Emissions, by source

Source: EPA

New Jersey GHG Profile

Sources and Sinks

2015 Statewide Greenhouse Gas Emissions Inventory



Questions?

What is RGGI?

REGIONAL GREENHOUSE GAS INITIATIVE

- Cap and trade program
- Prices carbon
- Reduces CO₂ from power plants
- Increases the investment in energy efficiency and other GHG reduction strategies
- Advances innovation in the clean energy economy
- Creates green jobs

Role of RGGI States

- Cooperatively develop model rule
- Enact legislation
- Adopt regulation based on model rule and state-specific legislation
- States have regulatory authority
- Establish CO₂ budget
- Participate in regional market for CO₂ allowances

**New Jersey, pending negotiations*

Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island and Vermont



What is RGGI Inc. ?

- 501(c)(3) non-profit corporation
- Provides administrative and technical services to the RGGI States
- Supports each State's CO₂ Budget Trading Program
- Maintains reporting system
- Coordinates auction platform
- Monitors CO₂ market
- Has no regulatory or enforcement authority

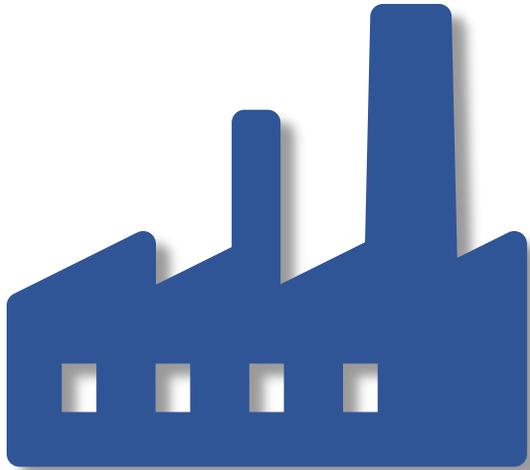
RGGI Inc. Headquarters



https://upload.wikimedia.org/wikipedia/commons/thumb/f/f2/Church_st_post_office_crop.jpg

90 Church Street, 4th Floor
New York, NY 10007

What does RGGI Regulate?



39 Power Plants
103 Electric Generating Units

New Jersey

- Utility fossil fuel electric generating units (EGUs)
- At or above 25 MW capacity

How Does RGGI Work?



- Regional Cap is established
- States offer allowances for sale in quarterly auctions
- EGUs purchase allowances to equal emissions for 3-year control period
- States receive revenue from quarterly auctions to invest

Who Benefits?

CONSUMER BENEFIT PROGRAMS

Energy Efficiency

Renewable Energy

Direct Bill Assistance

GHG Abatement Programs

REGIONAL INVESTMENT RESULTS

Reduces Energy Bills

Job Growth

Supports Energy Reliability

The Investment of RGGI Proceeds in 2015, published by RGGI Inc., October 2017

\$2.3
BILLION

9
MILLION
MWh

28
MILLION
MMBtu

5.3
MILLION
SHORT TONS

Lifetime Energy Bill Savings

Lifetime Avoided Electricity Use

Lifetime Avoided Fossil Fuel Use

Lifetime Avoided CO₂ Emissions

How Does NJ Get Back Into RGGI?

GRANT OF
AUTHORITY
TO RE-ENTER
RGGI



Global Warming Solutions Fund Act

- 2007 enabling Legislation authorizing NJ to join RGGI
- Dictates use of Auction Proceeds



Executive Order #7

- Directs NJ to re-enter RGGI
- Adds criteria for disproportionately impacted communities

RULE
WRITING
PROCESS



Mechanics Rule

- Legal commitment to the RGGI process
- Adopts framework of RGGI Model Rule

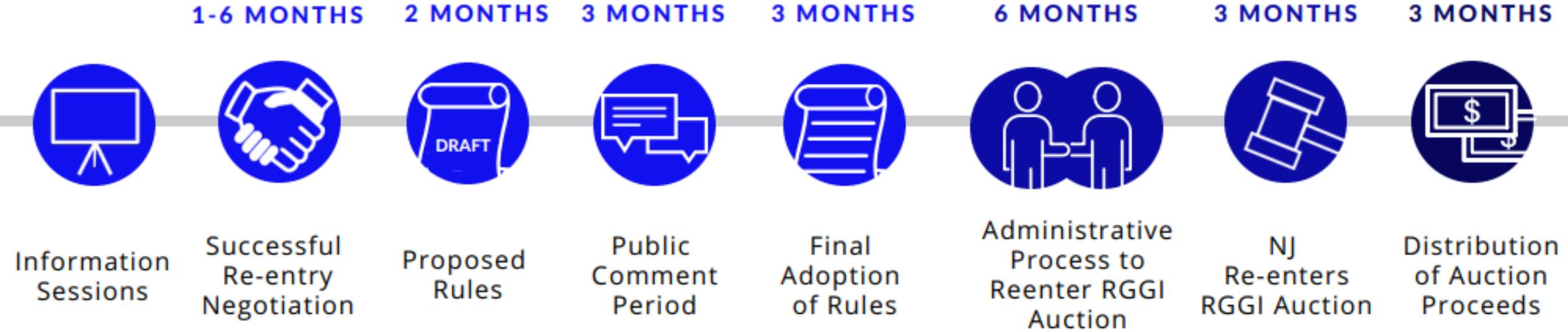


Funding Rule

- Adheres to GWSFA mandates and other legislative mandates
- Incorporates EO 7 criteria

RGGI MODEL RULE

Roadmap to Re-enter RGGI



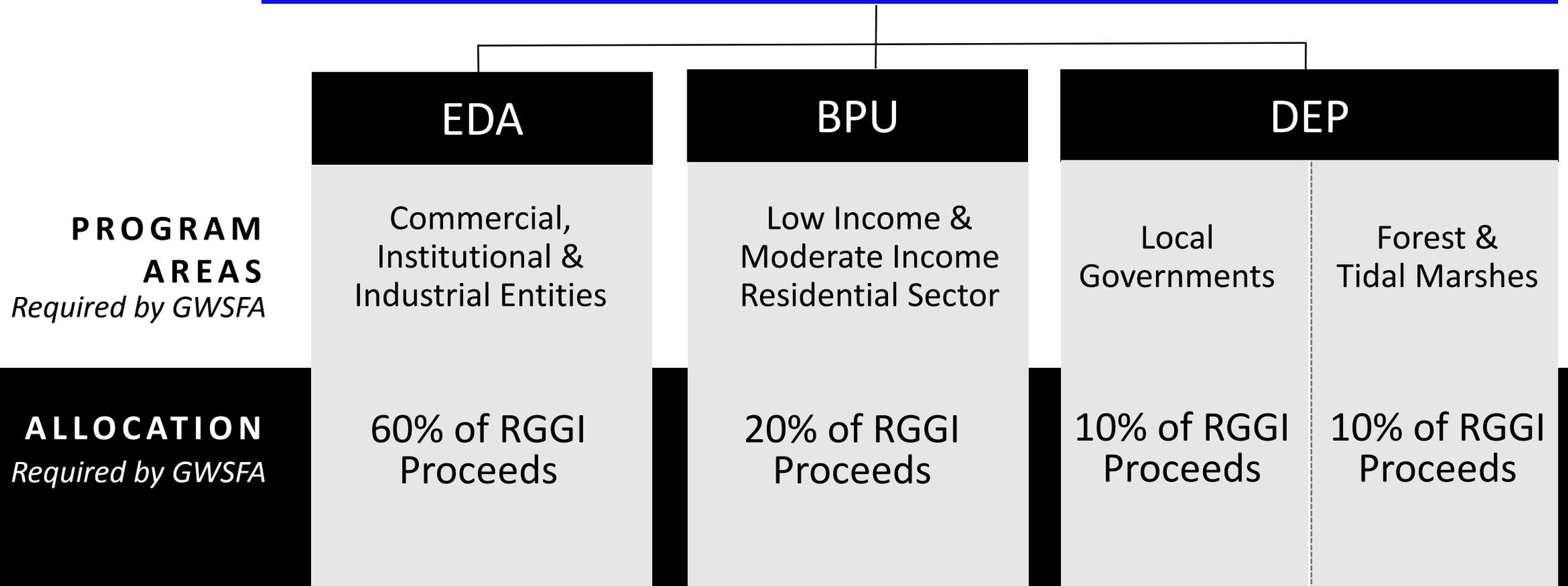
Questions?

RGGI Proceeds Rulemaking

GLOBAL WARMING SOLUTIONS FUND ACT (GWSFA)

N.J.S.A 26:2C-52

- Enacted in 2008
- Allocates funding by percentages to three NJ Agencies
- Requires Agencies to spend RGGI funds within specific program areas



Role of State Agencies

Board of Public Utilities

- Jointly responsible for writing Mechanics Rule
- Consulted with for writing RGGI Funding Rule
- Seat on RGGI Board
- Allocated 20% of RGGI Proceeds



Economic Development Authority

- Consulted with for writing RGGI Funding Rule
- Allocated 60% of RGGI Proceeds

Department of Environmental Protection

- Jointly responsible for writing Mechanics Rule
- Responsible for writing Funding Rule in consultation with BPU & EDA
- Seat on RGGI Board
- Allocated 20% of RGGI Proceeds



Agencies are Required to Select Programs & Projects Based on 6 Primary Considerations

GWSFA § 26:2C-52. Guidelines and priority ranking system for allocation of funds

Result in Net Reduction in GHG Emissions	Relative Cost	Reduction in Energy Use	Co-Benefits	Responsive to Recommendations Submitted to the Legislature
<ul style="list-style-type: none"> • GHG emissions in the State • GHG emissions from electricity produced out of the State, but consumed in NJ • Net sequestration of carbon 	<p>Result in significant reductions in GHG relative to the cost of the project/program</p> <ul style="list-style-type: none"> • The reduction of impacts on ratepayers attributable to the implementation • Contribute to achievement of the 2050 GWRA limit, relative to the cost of the program or project 	<p>Direct investment in low to moderate income residential sector</p> <ul style="list-style-type: none"> • Energy audits • Efficiency measures • Financial assistance to electricity customers • Urban area focus 	<ul style="list-style-type: none"> • Job creation • Reduction of air pollutants • Reduce Consumer Energy Costs • Improve local grid reliability • Contribute to regional GHG reductions • And others 	<p>Actions for future impact by sector: <i>NJGWRA Recommendations Report 2009</i></p> <ul style="list-style-type: none"> • Electric generation • Industrial • Residential & Commercial • Waste Management • Highly Warming Gases • Terrestrial Sequestration • Transportation & Land Use • Environmental & Economic Analysis

Executive Order 7

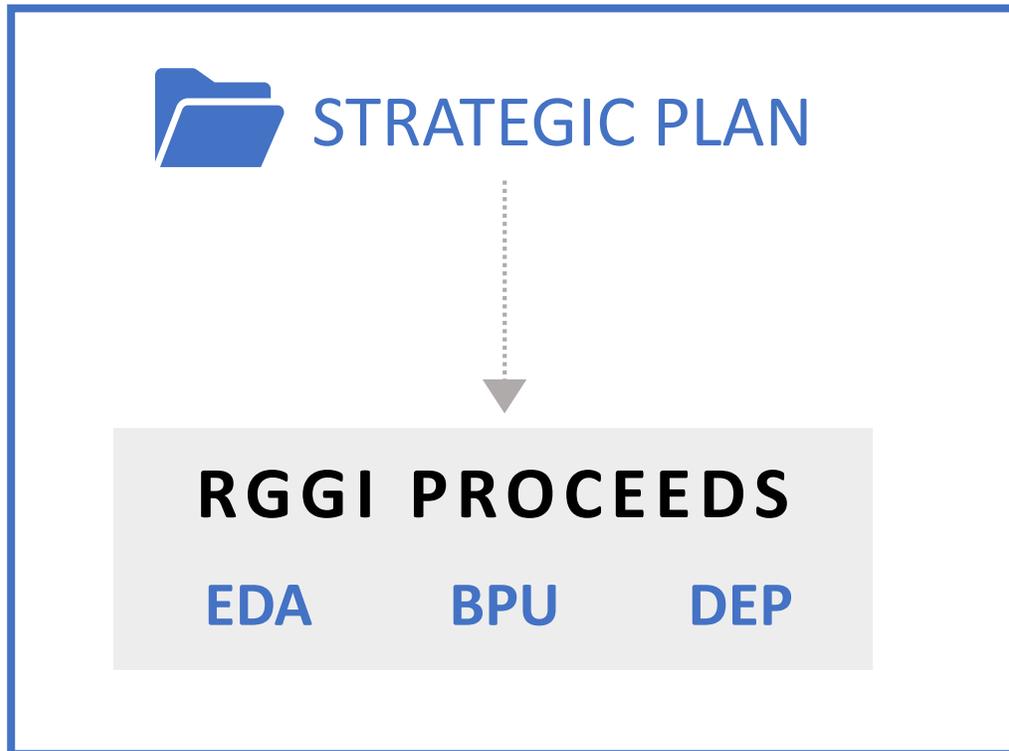
Alleviate Conditions Faced by Impacted Communities

“...Serve communities that are disproportionately impacted by the effects of **environmental degradation and climate change**, and which will alleviate negative effects on **human health and the environment...**”

Strategic Investment of RGGI Proceeds

GWSFA § 26:2C-51 Coordination in administration of programs and use of moneys

“The agencies administering programs established pursuant to this section shall maximize coordination in the administration of the programs to avoid overlap between the uses of the fund.”



- Rule will outline the process for developing the strategic plan
- Ensures an open and transparent planning process
- Provides opportunity for stakeholder engagement

Priority Ranking Criteria



	EDA	BPU	DEP		
PROGRAM AREAS <i>Required by GWSFA</i>	Commercial, Institutional, & Industrial Entities	Low Income & Moderate Income Residential Sector	Local Governments	Forest	Tidal Marshes
FUNDING ALLOCATION <i>Required by GWSFA</i>	60%	20%	10%	10%	
PROGRAM REQUIREMENTS <i>Required by GWSFA</i>	<p>PROGRAMS TO SUPPORT:</p> <ul style="list-style-type: none"> • End use energy efficiency projects • New, 'State of the Art', efficient electric generation facilities • Combined Heat and Power production and other high efficiency electric generation facilities • Innovative carbon emissions abatement technologies • Development of qualified offshore wind projects 	<p>PROGRAMS TO:</p> <ul style="list-style-type: none"> • Reduce electricity demand • Reduce costs to electricity customers <p>With a focus on urban areas, and includes efforts to address heat island effect and reduce impacts on ratepayers attributable to the implementation of Global Warming Response Act</p>	<p>PROGRAMS TO:</p> <p>Plan, develop and implement measures to reduce GHGs, including, but not limited to assistance to conduct and implement:</p> <ul style="list-style-type: none"> • Energy efficiency • Renewable energy • Distributed energy programs • Land use planning (where results are a measurable reduction of GHG emissions or energy demand) 	<p>PROGRAMS TO:</p> <p>Enhance the stewardship and restoration of State's forests and tidal marshes that provide opportunity to sequester or reduce GHGs</p>	
STRATEGIC PLAN	✓	✓	✓	✓	✓
PROJECT PRIORITY RANKING	✓	✓	✓		✓

Local Government Grant Program

- Allocated 10% of RGGI proceeds
- Funding Rule sets up framework
- NJDEP responsible for managing program



Questions?

RGGI Mechanics Rulemaking

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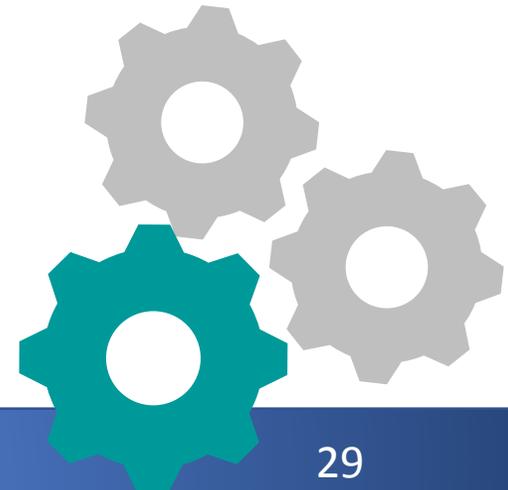
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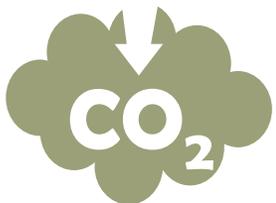
New Jersey RGGI Mechanics Rule

New Jersey Mechanics Rule is based on RGGI Model Rule to ensure consistency across each RGGI States' regulations

- Establishes regulatory authority to participate in RGGI
- Incorporates allowance allocation
- Defines applicability
- Authorizes account representative for the EGU
- Requires RGGI to be included in the New Jersey Air Permit
- Requires compliance certification
- Establishes auction administrative procedure and platform
- Establishes CO₂ tracking system
- Establishes monitoring record keeping and reporting



What is the RGGI Cap?



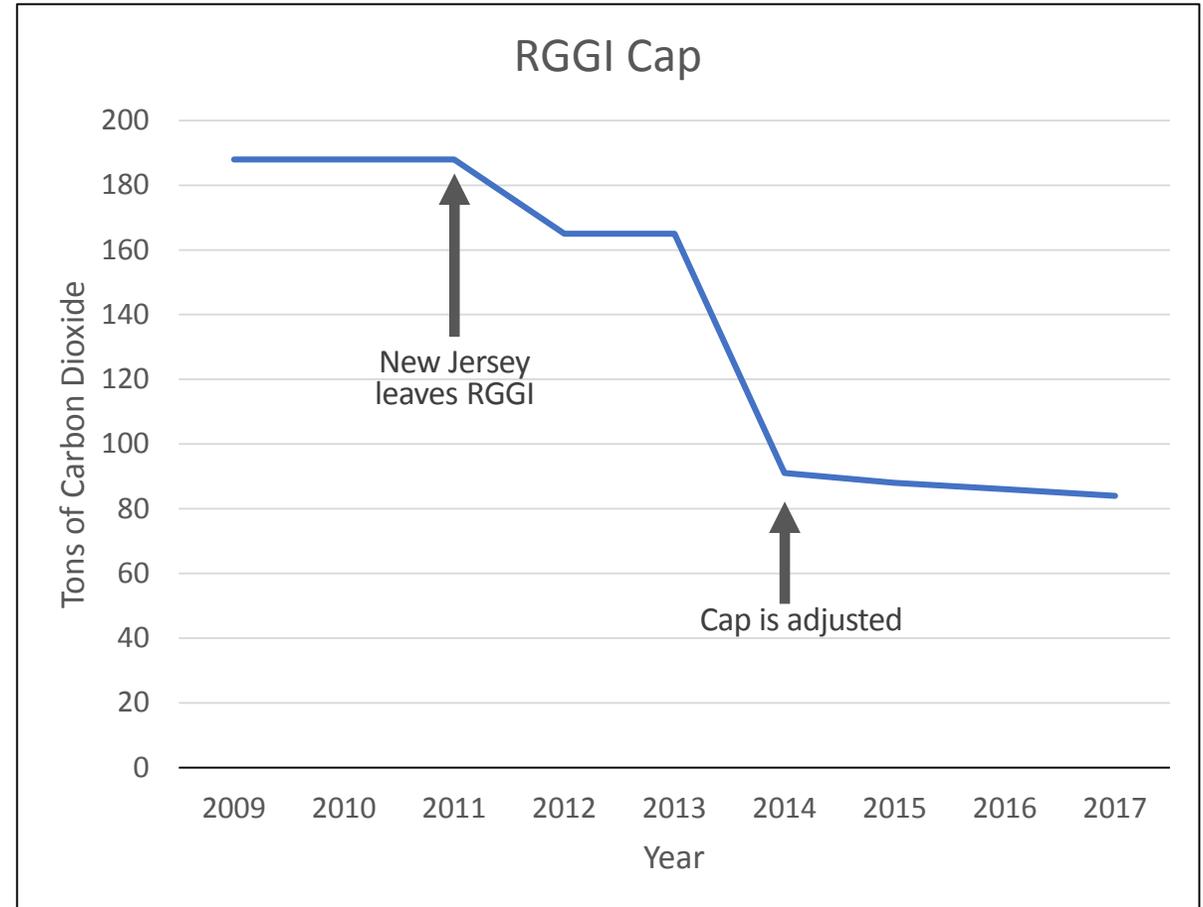
- Regional cap of total CO₂ emissions across participating states
- Allowances are fully interchangeable
- RGGI auction establishes market price for CO₂
- Market drives emission reduction
- 2017 cap is 84.3 millions tons
- 2.5% annual reduction of the cap

Historical Cap Reduction

- Initial cap in 2009 of 188 million tons
- 3-year control periods

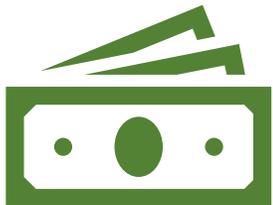
Control Period	1	2	3	4
Years	2009-2011	2012-2014	2015-2017	2018-2020

- NJ withdraws after 1st control period
- Cap is adjusted



Year	2009	2010	2011	2012	2013	2014	2015	2016	2017
Cap	188	188	188	165	165	91	88	86	84

Allowance Auction



- Allowances issued by State
- Distributed in quarterly auction
- Online auction platform
- Proceeds returned to RGGI states
- Conducted with the regulatory authority of each state

CO₂ Allowance Tracking System (RGGI COATS)

- Tracking Platform
- Facilitates market participation:
 - Allocation, Award, and Transfer
 - Certification of allowances
 - Offset application process

Public Reports:

- Summary Level Emissions
- Quarterly Emissions
- Annual Emissions
- Control Period Emissions
- Sources
- Owner/Operator
- Accounts
- Account Representatives
- Transaction Price Report
- Special Approvals
- Offset Projects
- Source-Submitted Compliance

Compliance

- State's Regulatory Agency
- RGGI COATS
- Sources must possess allowances
 - 50% during interim control period (2 years)
 - 100% at end of control period (3 years)
- Public reports of compliance data

Regional Greenhouse Gas Initiative

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

RGGI Compliance: CO₂ Budget Source Fact Sheet

Under each RGGI participating state's CO₂ Budget Trading Program, each regulated power plant (a "CO₂ budget source") is required to hold one CO₂ allowance for each ton of CO₂ emitted during the preceding three-year control period. The third RGGI control period began on January 1, 2015, and extends through December 31, 2017. The CO₂ budget source compliance process occurs in four stages: CO₂ emissions reporting, compliance activities in the RGGI CO₂ Allowance Tracking System (COATS), compliance evaluation, and public reporting.

1. CO₂ Emissions Reporting (CO₂ Budget Sources)

CO₂ budget sources are required to report quarterly CO₂ emissions data to the RGGI participating states through the U.S. Environmental Protection Agency's (U.S. EPA's) Clean Air Markets Division (CAMD) Business System in accordance with state CO₂ Budget Trading Program regulations and U.S. EPA regulations at 40 CFR Part 75. Updates made in the CAMD Business System flow to COATS periodically. For more information on U.S. EPA's emissions reporting requirements, please see: <http://www.epa.gov/airmarkets/index.html>.

The final quarter of the third control period is Q4-2017 (October 1, 2017 – December 31, 2017). The deadline to submit CO₂ emissions data to the U.S. EPA for Q4-2017 is January 30, 2018.

2. Compliance Activities in COATS: Provide CO₂ Allowances, Run Draft True-Up, and Certify Compliance (CO₂ Budget Sources)

CO₂ budget sources are required to acquire and provide sufficient CO₂ allowances in COATS to meet their remaining "CO₂ compliance obligation" (tons of CO₂ emitted during the preceding three-year control period, less any exempted emissions deductions) by 11:59 PM ET on March 1, 2018. Market participants can obtain CO₂ allowances in quarterly CO₂ allowance auctions or through various secondary markets. Auction 38, to be held on December 6, 2017, is the last CO₂ allowance auction to purchase CO₂ allowances before the end of the third control period. For more information on CO₂ allowance auctions, please see the [Auctions](#) section of the RGGI website.

CO₂ budget sources must transfer and hold sufficient CO₂ allowances in their compliance account in COATS by 11:59 PM ET on March 1, 2018. A CO₂ budget source may also optionally identify specific CO₂ allowances to be used for compliance (or "surrender" CO₂ allowances) by using the Compliance Deduction Transaction in COATS between January 31, 2018 and March 1, 2018.

CO₂ budget sources must run draft "true-up" in COATS by 11:59 PM ET on March 1, 2018, which will compare their CO₂ compliance obligation to the sum of the CO₂ allowances surrendered and those remaining in the compliance account. CO₂ budget sources must also certify compliance between January 31, 2018 and March 1, 2018 according to each state's CO₂ Budget Trading Program. This may include

Dates to Remember:

No later than October 10, 2017:

CO₂ Allowance Auction 38 Notice Release

December 6, 2017: CO₂ Allowance Auction 38

January 30, 2018: Deadline to submit Q4-2017 CO₂ emissions data to the U.S. EPA

March 1, 2018 (by 11:59 PM ET): Deadline to provide CO₂ allowances and to certify compliance for third control period compliance

March 2, 2018:

- CO₂ allowances in compliance accounts are frozen in COATS
- Compliance data submitted by sources publicly available

March 2, 2018 – June 1, 2018: States evaluate compliance for each CO₂ budget source

June 4, 2018 (final true-up):

- CO₂ allowances are automatically deducted from compliance accounts (not including any CO₂ allowances which have already been surrendered)
- State compliance evaluations publicly available
- Following final compliance true-up, CO₂ allowances in compliance accounts are unfrozen (if no allowance shortfall exists after compliance deductions are complete)

RGGI CO₂ Offset Allowance

A RGGI CO₂ offset allowance represents a project-based greenhouse gas emission reduction outside of the capped electric power generation sector

- Project-based
- Greenhouse gas emission reduction outside of power generation sector
- RGGI States limit offsets to 3 categories
- Comparable offsets across region
- Additionality: Would not have occurred in absence of a carbon market

Project Categories

1. Landfill Methane
2. Reforestation, Improved Forest Management, and Avoided Conversion
3. Agricultural Methane

Questions?

Thank You

More Comments? – Email us
NJRGGI@dep.nj.gov