

# The Northeast Regional Greenhouse Gas Coalition

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## RGGI Policy Recommendations Flexibility Mechanisms



As a stakeholder in the Regional Greenhouse Gas Initiative, the Northeast Regional Greenhouse Gas Coalition (the GHG Coalition) has been evaluating design options for a CO<sub>2</sub> cap-and-trade program in the Northeast. The GHG Coalition has developed a comprehensive policy framework outlining its recommendations for the design of the RGGI program. This one-pager summarizes GHG Coalition recommendations regarding flexibility mechanisms.

Fossil fuel-fired power plants have few opportunities to reduce CO<sub>2</sub> emissions, in part because there are no commercially available end-of-pipe emission control devices for CO<sub>2</sub>. Thus, owners of affected sources in the region will need access to a reasonable menu of flexibility mechanisms that will encourage them to identify and allow them to take advantage of lower cost emissions reduction opportunities. The GHG Coalition recommends that the following flexibility mechanisms be included in the RGGI Model Rule:

- reciprocity with other cap-and-trade programs to provide access to a larger pool of allowances and emissions reduction opportunities, thereby increasing flexibility for RGGI sources while delivering credible GHG reductions;
- a three-year compliance and true-up period to promote electric system reliability and to account for anomalies in CO<sub>2</sub> emissions associated with such industry realities as extreme weather events and facility outages;
- unrestricted banking of CO<sub>2</sub> allowances, in light of the fact that CO<sub>2</sub> emissions have no local impacts;
- early reduction credits for RGGI-affected sources that have made on site or off site (i.e., carbon offset investments) reductions since 1990, as long as they meet specific criteria and utilize the standardized protocols for monitoring, reporting and verification specified by RGGI;
- an offset program that allows RGGI-affected sources to acquire emissions reductions of any of the six GHGs from sources not subject to the cap, with a CO<sub>2</sub> equivalent offset equivalent to an allowance; and
- the inclusion of a “circuit breaker,” a mechanism that would stop the decline of the cap when the average annual allowance price exceeded a predetermined level (with the decline of the cap continuing when allowance prices fell below the circuit breaker level) or when critical assumptions used in the IPM modeling fail to materialize (i.e., RPS).

More information on the GHG Coalition is available at <http://www.mjbradley.com/ghgcoalition.htm>.