

ENE Releases Report on RGGI Emission Trends:

High Fuel Prices Drive Emissions 16% Below Cap but Trend May not Continue

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BOSTON, MA — ENE (Environment Northeast) a research and advocacy organization and stakeholder in the Regional Greenhouse Gas Initiative (RGGI), released a report in advance of Wednesday's RGGI auction of emission allowances, the second so far.

Based on detailed power plant emissions analysis within the ten RGGI member states, the report finds that the total emissions for 2008 are on track to be about 16% below the prescribed cap level in 2009 – a promising trend. However, the decline in emissions appears to be very closely linked to high oil and coal prices, which have recently declined significantly. Emissions in 2009 may be significantly higher if oil and coal prices remain low.

“When RGGI was negotiated, everyone thought the business as usual emissions trend would be up,” said Derek Murrow, director of policy analysis at ENE and lead author of the report. “What we’re seeing, very clearly, is that emissions can decline significantly when the price of dirty fossil fuels goes through the roof and electricity consumption remains stable.”

Generation from oil-fired power plants has been down significantly with dual fuel power plants (those that can burn either residual fuel oil or natural gas) turning to lower-carbon natural gas due to its lower price, and the region is deriving more power from non-emitting resources, such as wind and hydro power.

Summary of ENE Report's Key Findings:

- Recent data (through September) indicate that 2008 emissions from RGGI units are trending 16% below the RGGI cap – a good thing, but emissions are unlikely to remain as low in 2009.
- Emissions have fallen as a result of the following conditions, some of which are unlikely to continue into 2009:
 - The high price of oil in relation to the price of natural gas and corresponding decline in oil utilization in favor of natural gas – this price trend has reversed in the last month and could lead to significant additional emissions from oil fired plants.
 - The high price of coal in the summer of 2008 and corresponding decrease in combustion of this carbon-intensive fuel – the price trend for coal has also reversed, which could lead coal emissions to return to their prior levels.
 - Increased availability of wind and hydro and nuclear – this increase in non-emitting generation will likely continue at a modest pace as more wind power comes online in the future.

- Electricity consumption has been stable in recent years – consumption will likely remain stable owing to economic conditions and expanded efficiency investments; but hotter, more humid summers could drive up consumption and emissions in future years.
- ENE believes that demand for allowances in the second auction on December 17th, 2008 will remain strong: the successful conduct of the first auction on September 25th dispels doubts about RGGI's permanence and increases the value of RGGI allowances as the January 1, 2009 effective date approaches and calls for expanded climate regulation at the state and federal level increase.

“All ten states are in and RGGI is moving forward,” said Daniel Sosland, executive director for ENE. “RGGI is a success by all measures thus far. We’re looking forward to another successful auction that provides states with resources to further reduce emissions”

The ten states of the RGGI region (ME, MA, NH, VT, RI, CT, NY, NJ, DE and MD) will all take part in this second auction, more than doubling the supply of allowances (permits to pollute) from the first auction, in which DE, NH, NJ and NY did not participate.

Prices are still in a “discovery period,” meaning that the market is still determining the value of allowances. At the first auction in September allowances sold for \$3.07 per ton. On December 12, 2008 RGGI futures (12/08 delivery) were trading at \$3.38 per ton on the CCX (Chicago Climate Exchange) and at \$3.55 on NYMEX.

The report, *RGGI Emissions Trends & the Second Allowance Auction*, can be found at: www.env-ne.org

Additional ENE background documents on RGGI can be found at: <http://www.env-ne.org/projects/open/p/id/331/program/Climate%20Change%20Solutions>

The official RGGI web site is: www.rggi.org

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