

MA Allowance Allocations and Use of Auction Proceeds



Regional Greenhouse Gas Initiative

October 2008

Member states of the Regional Greenhouse Gas Initiative have independently determined how to allocate allowances (permits to emit CO₂) and how to spend proceeds of allowance auctions. The following document describes Massachusetts' allowance allocations and distribution of auction proceeds.

The finalized RGGI regulations (*310 CMR 7.70 Massachusetts CO₂ Budget Trading Program*) are available at: www.mass.gov/dep/air/climate/index.htm#rggi.

Legislation governing allowance allocations and use of auction proceeds (*An Act Relative to Green Communities*) is available at: www.mass.gov/legis/laws/seslaw08/sl080169.htm.

CO₂ Trading Program Annual Base Budget (Massachusetts portion of regional cap)

2009-2014	26,660,204 tons
2015	25,993,699 tons
2016	25,327,194 tons
2017	24,660,689 tons
2018	23,994,184 tons

Allowance Allocations (Section 5(c) of 310 CMR 7.70)

Allocation	Program/ Recipient
99%	Massachusetts Auction account
~1%	Greenhouse Gas Credit Exchange Set-aside
~1%	Voluntary Renewable Energy (VRE) Account

Allowances allocated to the *Massachusetts auction account* are offered for sale in a regional auction administered by a third party (World Energy Solutions, Inc.) and carried out using an online platform. For more information see www.rggi.org.

The *Greenhouse Gas Credit Exchange Set-aside* allows holders of Greenhouse Gas (GHG) Credits from the "Emissions Standards for Power Plants" (310 CMR 7.2.9, an older CO₂ regulation that is being phased out with the implementation of RGGI) to exchange such credits for RGGI allowances at a rate of two GHG Credits for each RGGI allowance. GHG Credits created by offset projects may not be converted to RGGI allowances. 2009 allocation to the GHG Credit Set-aside is limited to 375,000 allowances.

The *Voluntary Renewable Energy (VRE) Account* accounts for emissions reductions attributable to voluntary purchases of renewable energy by consumers (i.e., "green power" purchases). Customers pay a premium for voluntary renewable energy in expectation of displacing fossil fuel electricity and reducing emissions. The cap must therefore be adjusted downward in proportion to voluntary renewable energy purchases in order to reflect consumer expectations, and to avoid offering too many allowances to fossil fuel producers who must generate *less* electricity as a result of voluntary renewable energy purchases. If the cap were not adjusted downwards generators of fossil-fuel electricity could actually *increase* emissions per kilowatt hour and still

remain below the cap. Allowances transferred to the VRE Account are permanently removed from the Massachusetts cap and retired. Annual allocation to the VRE is limited to 200,000 allowances.

Distribution of Auction Proceeds

Proceeds from the auction of allowances will be deposited in the RGGI Auction Trust Fund, and used for the following purposes only; in proportion to be determined by the Department of Energy Resources with approval of the Secretary of the Executive Office of Energy and Environmental Affairs:

- At least 80% shall be used to promote energy efficiency, conservation and demand response.
- Administrative costs of RGGI shall be covered by auction proceeds.
- Funds not dedicated to energy efficiency or administration shall be dedicated to the following uses, and shall not exceed 20% of auction revenue:
 - To reimburse municipalities which lose tax revenue due to RGGI through 2011;
 - To fund ‘green communities’ programs through technical and financial assistance to: reduce energy consumption and costs; reduce pollution; facilitate the development of renewable and alternative energy resources; and create local jobs related to renewable energy and energy efficiency; and
 - To provide zero interest loans to municipalities not covered by ‘green communities’ programs for energy efficiency projects.

Auction Process

Massachusetts will auction 97.8% of its 2009-2014 annual allocation of 26,660,204 tons (for a 2009 auction total of 26,085,204 allowances). The 2009 allowances will be sold at six auctions, the first of which takes place on September 25, 2008. 4,347,534 allowances will be offered at the September 25th auction and at each of five subsequent auctions in 2008-9.

Revenue distribution from the September auction is described in the table below. The clearing price of \$3.07/ton significantly exceeded the reserve price (below which allowances will not sell) of \$1.86 per ton. More details are available from RGGI, Inc. at rggi.org/home.

Price/ton	Total 100%	Energy efficiency (at least) 80%	Remaining programs and additional energy efficiency programs (up to) 20%
\$3.07	\$13,346,957	\$10,677,565	\$2,669,392



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