

ME Allowance Allocations and Use of Auction Proceeds



**Environment
Northeast**

Regional Greenhouse Gas Initiative

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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 Maine's allowance allocations and distribution of auction proceeds.

The legislation establishing RGGI (*Public Law, Chapter 317*) and finalized regulations (*Chapters 156-158: CO₂ Budget Trading Program*) are available at: www.maine.gov/dep/air/greenhouse/rggi.htm. Maine's gradually declining annual CO₂ budget is shown in the table below.

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

2009-2014	5,948,902 tons
2015	5,800,180 tons
2016	5,651,458 tons
2017	5,502,736 tons
2018	5,354,014 tons

Allowance Allocations (Chapter 156, section 2.B. p. 20)

2%	Voluntary renewable energy set-aside account—removed from cap total & retired
10%	Incentive for Combined heat and power units at integrated manufacturing facilities
88%	Maine Auction Account

The *Voluntary renewable energy set-aside 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 VCEP are permanently removed from the Maine cap and retired.

A portion of allowances will be used to promote *Combined heat and power (CHP) units at integrated manufacturing facilities*. This set aside recognizes that certain regulated units (located at big paper mills) in Maine put electricity onto the grid and also use a portion of their heat output for their own consumption. Maine's RGGI law holds aside allowances in an amount roughly equal to the emissions associated with energy that a unit uses for consumption on site. This amount is estimated to be about 10% of the total Maine budget.

Allowances allocated to the *Maine 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.rrgi.org.

Distribution of Auction Proceeds

Proceeds from the auction of Maine allowances will be directed to the uses below, up to a clearing price of \$5.00/ton. Any proceeds in excess of \$5.00/ton will be rebated to ratepayers. The first \$5.00/ton of auction proceeds will be directed to the Energy and Carbon Savings Trust to be spent on energy efficiency programs in accordance with the provisions of Maine Public Law, Chapter 317, as follows:

- In 2009, 2010 and 2011 not less than 85% of auction proceeds “must be allocated for measures, investments and arrangements that reduce electricity consumption”
- In 2009, 2010 and 2011 not more than 15% of auction proceeds “must be allocated for fossil fuel conservation measures, investments and arrangements”

Auction Process

Maine will auction 88% of its 2009-2014 annual allocation of 5,948,902 tons (for a 2009 auction total of 8,235,178 allowances). 2009 allowances will be sold at six auctions, the first of which takes place on September 25, 2008. 872,506 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.

	Electric energy efficiency (at least) 85%	Fossil fuel efficiency (at most) 15%	Total 100%
\$3.07/ton	\$2,276,804	\$401,789	\$2,678,593



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