

RI 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 Rhode Island's allowance allocations and distribution of auction proceeds.

The finalized regulations (*APC Reg. 46 & 47, "CO₂ Budget Trading Program"*) are available at: www.dem.ri.gov/rggi/index.htm.

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

2009-2014	2,659,239 tons
2015	2,592,758 tons
2016	2,526,277 tons
2017	2,459,796 tons
2018	2,393,315 tons

Allowance Allocations (APC 46.4.3., p. 23)

1%	Voluntary renewable energy market set-aside account—removed from cap total & retired
99%	Rhode Island Auction Account

The *Voluntary renewable energy market set-aside* 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 Rhode Island cap and retired.

Allowances allocated to the *Rhode Island 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.ri.ri.gov.

Distribution of Auction Proceeds

Under R.I. General Law § 23-82-6 the Office of Energy Resources (OER) is directed to prepare annually a plan to allocate the proceeds from allowances for the benefit of energy consumers through investment in the most cost-effective available projects that can reduce long-term consumer energy demands and costs, such as energy efficiency. This plan is still under development.

Auction Process

Rhode Island will auction a minimum 99% of its 2009-2014 annual allocation of 2,659,239 tons (for a 2009 auction total of 2,632,644 allowances). The 2009 allowances will be sold at six auctions, the first of which takes place on September 25, 2008. 438,774 allowances will be offered at the September 25th auction and at each of five subsequent auctions in 2008-9.

The September 25th auction generated \$1,347,036 in revenue for strategic energy investments by the OER. 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.



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