

# RGGI – Fact Sheet for Maine

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## Environment Northeast

LD 1851 is the Governor’s Bill to adopt “the Regional Greenhouse Gas Initiative Act of 2007.” This initiative is also often referred to by the acronym “RGGI,” pronounced “Reggie.”

Establishing the first cap and trade program to regulate greenhouse gases in the U.S., RGGI will reduce pollution from the region’s power plants by 10% over 10 years (from 1/2009 – 12/2018). Adoption of the new law that enters Maine into this initiative also directs major new investments in energy efficiency which will help lower electricity costs for Maine consumers and reduce the need to run local power plants.

### Key Elements of RGGI in Maine (LD 1851)

#### ***Enhanced Investment in Energy Efficiency***

Section 5 – makes the current level of energy efficiency investment in Maine (0.145 cents/kWh, also called 1.45 mills) a minimum, called a “base assessment,” instead of a ceiling as it has been under existing Maine statute. *Note that this rate of investment to date has been the lowest of any New England state.*

Section 6 – requires the PUC to include “other assessments” on electric transmission and distribution rates “as necessary to realize all available energy efficiency and demand reduction resources in this state that are cost-effective, reliable and feasible” after considering other sources of funding for or investment in efficiency programs (such as the base assessment, the proceeds of auctioned RGGI allowances, payments from the forward capacity market, etc.). This section also removes transmission level (>44 kV) and sub-transmission level (>34.5 kV) customers from the obligation of paying, or the eligibility to receive funding from, the base assessment or Sec. 6 assessments. The expectation is that these customers will be better served by programs of the Energy and Carbon Savings Trust established under RGGI (see Section 11, below).

Section 10 – Creates the Maine Energy Conservation Board to work with PUC and with RGGI Trust (see below) to help develop and implement quality energy efficiency programs and forge an overarching Triennial Plan that helps prioritize programming budgets and coordinate implementation between the efficiency funds. The Conservation Board comprises representatives of industrial, commercial and residential customers, environmental interests, small business interests, as well as the Department of Environmental Protection and the Governor’s Office of Energy Independence and Security. The Conservation Board is assured adequate funding from conservation funds to contract with independent, professional experts in energy efficiency programming.

Section 11 – Establishes the Energy and Carbon Savings Trust. All revenue from the sale of RGGI allowances in Maine are deposited into the Trust and governed as follows:

- For the first three years of the program, the first \$5 of every sale of a Maine RGGI allowance must be spent on energy efficiency through the Energy and Carbon Savings Trust Fund; any amounts above \$5 per ton are returned to consumers (rebated)
- For the first three years of the program, no less than 85% of energy efficiency funding must go to electric energy efficiency programs; no more than 15% may go to other energy efficiency programs that help save energy and reduce GHG emissions from sources other than electricity generation (e.g., oil, natural gas/propane).
- Allows up to \$100,000 to help develop new categories of offset projects located in Maine (e.g., forest practices/sequestration)

- All efficiency spending must be consistent with and in support of the Triennial Plan, which plan must be voted on by the Energy Conservation Board and given final approval by three Trustees who are appointed by the PUC.
- There are no limits on the size of projects that may be awarded from the Trust Fund as long as the projects satisfy benefit-cost requirements and other rules established by the Trust.

*Note: assuming no more than 1 million allowances are set aside for qualified Combined Heat and Power units in Maine, roughly 5 million allowances will remain for auction each year. At a market price for allowances of \$2/ton, the total new funds to be invested in energy efficiency investment would be \$10 million per year. At a market price of \$5/ton, the total new funds would be \$25 million per year, more than doubling Maine's current level of investment and saving Maine energy consumers more than \$60 million for each year of investment.*

### ***Establishing Maine's Participation in The RGGI Program***

Section 13 – Establishes a cap and trade program to regulate CO2 emissions from power plants larger than 25 MW and burning fossil fuels, called the Regional Greenhouse Gas Initiative Act of 2007:

- Commencement begins January 1, 2009 contingent on similar commencement in other New England states that, combined, emit at least 35 million tons of CO2 (i.e., at least CT and MA must join).
- Directs the DEP to adopt rules to implement the program.
- Provides that the program must allocate 100% of CO2 allowances for “public benefit to produce funds for carbon reduction and energy conservation.” Revenue resulting from the sale of allowances must be deposited in the Energy and Carbon Savings Trust.
- Establishes a set aside of allowances for combined heat and power budget units for emissions that are not sold to the grid.

### **Background on RGGI:**

- Ten states in the Northeast region – Maine, New Hampshire, Vermont, Rhode Island, Massachusetts, Connecticut, New York, New Jersey, Delaware and Maryland are participants.
- The 10 states agreed to cap their aggregate CO2 emission from large electric generation plants at 188 million tons per year starting in 2009.
- The total emissions from these plants will stay fixed for five years through 2014, and starting in 2015 the cap will decrease by 2.5% each year until a 10% reduction is achieved across by the end of 2018.
- Each state starts the program with its own budget for CO2 emissions based on its pro rata share of the region's aggregate emissions.
- Maine's pro rata share of the total allowed emissions for 2009 is 5,948,902 (about 5.9 million) tons of CO2 per year. In 2018 Maine's budget will be slightly more than 5.3 million tons of CO2.
- Power plants (electric generators) that are larger than 25 megawatts (MW) and are fossil fueled must hold 1 allowance for each ton of CO2 they emit. The allowances may come from any participating state in the RGGI region, and may be traded across the region. At the end of every third year, power plants must demonstrate that they hold enough allowances to equal their total emissions for that period.
- Power plants may achieve a portion of their compliance obligation by purchasing “offsets” from eligible projects that have demonstrated the permanent reduction of greenhouse gas emissions from specified non-electric sources, such as landfills or fossil-fired boilers.
- More details on the basic framework and function of RGGI may be found at [www.rggi.org](http://www.rggi.org).



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