

2014 Regional Greenhouse Gas Initiative Annual Report

Report to the Legislature from the Public Service Department

January 20, 2015

This Report was prepared pursuant to 30 V.S.A. § 255 (e) which states:

By January 15 of each year, commencing in 2007, the Department of Public Service in consultation with the Agency of Natural Resources and the Public Service Board shall provide to the House and Senate Committees on Natural Resources and Energy, the Senate Committee on Finance, and the House Committee on Commerce a report detailing the implementation and operation of RGGI and the proceeds collected and the expenditures made under this section, together with recommended principles to be followed in the allocation of funds.

Background & Overview of the Regional Greenhouse Gas Initiative

The Regional Greenhouse Gas Initiative ("RGGI") is a cooperative effort by Northeastern and Mid-Atlantic states (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island and Vermont) to reduce carbon dioxide emissions – a greenhouse gas that contributes to global climate change. Central to this initiative is the implementation of a multi-state cap-and-trade program with a market-based emissions trading system. The RGGI program requires fossil fuel fired electric generating units serving a generator with a nameplate capacity of 25 MW or larger to purchase allowances for their CO₂ emissions. Regionally, units of this size are responsible for approximately 95% of CO₂ emissions from the electric generation sector.

Vermont committed to participate in RGGI when Governor Douglas signed the RGGI Memorandum of Understanding along with the governors of the other participating states. The Vermont Legislature then enacted statutory provisions to implement the RGGI program in Vermont. Both 30 V.S.A. § 255 and the RGGI MOU directed the Public Service Board (hereafter, the Board) and the Agency of Natural Resources (ANR) to participate in the RGGI program.

The RGGI states distribute CO₂ allowances primarily through regional auctions. Subsequently, Vermont has chosen to allocate the proceeds from the sale of allowances to fund Vermont programs that promote thermal energy process fuels efficiency services. Proceeds from the sale of carbon credits are deposited into the Electrical Efficiency Fund established under section 203a of 30 V.S.A. § 255 (d).

Auction Results for 2014

CO₂ Allowance Auction Results - All Participating States, 2014

Auction Number	Auction Format	Quantity Offered	Quantity Sold	Clearing Price
23	Sealed Bid - Uniform Price	23,491,350	23,491,350	\$4.00
24	Sealed Bid - Uniform Price	18,062,384	18,062,384	\$5.02
25	Sealed Bid - Uniform Price	17,998,687	17,998,687	\$4.88
26	Sealed Bid - Uniform Price	18,198,685	18,198,685	\$5.21
Total		77,751,106	77,751,106	\$4.72 ^[1]
^[1] Weighted Average Price				

CO₂ Allowance Auction Results - Vermont, 2014^a

Auction Number	Quantity Sold	Clearing Price	Total Proceeds
23	178,511	\$4.00	\$714,044.00
24	141,406	\$5.02	\$709,858.12
25	141,405	\$4.88	\$690,056.40
26	141,405	\$5.22	\$736,720.05
Total	602,726	\$4.72 ^[1]	\$2,850,680.57
^[1] Weighted Average Price			

In sum, Vermont participated in four (4) market-based auctions for carbon allowances in 2014 and sold over 602,000 allowances for a total of more than \$2.8 million. Approximately \$2.8 million of this has been transferred to the Electrical Efficiency Fund, as directed by 30 V.S.A. §§ 255(d) and 203a.

^a Detailed auction results https://www.rggi.org/docs/Auctions/26/VT_Proceeds_By_Auction.pdf

Disbursement of Vermont RGGI Proceeds by Year, 2014

Disbursement of Vermont RGGI Proceeds 2014 auctions

Total Proceeds	\$2,850,680.57
Administrative Costs	\$71,204.70
Trustee Costs	\$4,000
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Net Proceeds	\$2,779,475.87

Discussion: Pursuant to statute and the Board's April 2, 2014, Order establishing the process for Vermont's participation in the RGGI program, ANR and the Department of Public Service ("Department") have the opportunity to request that appropriate and reasonable administrative costs associated with their administration of RGGI be paid from the auction proceeds. In addition, ANR and the Department may request funds to "stimulate or support investment in the development of innovative carbon emissions abatement technologies that have significant carbon reduction potential."

To date, ANR has requested and received Board approval for reimbursement for administrative costs associated with the administration of RGGI, including staff time and travel, totaling \$ 71,204.70 from auctions 23 through 26. These 2014 administrative costs included \$14,232.69 for payment of costs to RGGI, Inc. to administer the auction.ⁱ The remaining approximate amount of \$2.8 million of proceeds will be deposited into the Electrical Efficiency Fund from the 2014 auctions.

A July 18, 2008 Public Service Board order directed the creation of a set-aside program that would allow for the retirement of RGGI allowances in an amount that reflects the offsetting effects on CO2 emissions associated with voluntary renewable electricity purchases. The purpose of this program is to allow providers of voluntary renewable pricing programs to continue to claim that participation in such programs results in CO2 reductions. The ability to make such claims of CO2 reductions holds the potential to lead to greater demand for those programs and thus increase electricity generated from renewable means. (One such program is Green Mountain Power's "cow power" program.) To date Vermont has retired more than 17,000 allowances, including 5,527 in 2014.

ⁱ RGGI, Inc. was formed by the nine participating RGGI states to administer the RGGI auction and provide technical services to the states.