

2015 Regional Greenhouse Gas Initiative Annual Report

Report to the Legislature from the Public Service Department

January 15, 2016

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 2015

CO₂ Allowance Auction Results - All Participating States, 2015

Auction Number	Auction Format	Quantity Offered	Quantity Sold	Clearing Price
27	Sealed Bid - Uniform Price	15,272,670	15,272,670	\$5.41
28	Sealed Bid - Uniform Price	15,507,571	15,507,571	\$5.50
29	Sealed Bid - Uniform Price	25,374,294	25,374,294	\$6.02
30	Sealed Bid - Uniform Price	15,374,274	15,374,274	\$7.50
Total		71,528,809	71,528,809	\$6.10 ^[1]
^[1] Weighted Average Price				

CO₂ Allowance Auction Results - Vermont, 2015^a

Auction Number	Quantity Sold	Clearing Price	Total Proceeds
27	117,930	\$5.41	\$638,001.30
28	117,929	\$5.50	\$648,609.50
29	192,139	\$6.02	\$1,156,676.78
30	117,292	\$7.50	\$884,467.50
Total	545,290	\$6.10 ^[1]	\$3,327,755.08
^[1] Weighted Average Price			

In sum, Vermont participated in four (4) market-based auctions for carbon allowances in 2015 and sold over 545,000 allowances for a total of more than \$3.3 million. Approximately \$3.3 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/30/VT_Proceeds_By_Auction.pdf

Disbursement of Vermont RGGI Proceeds by Year, 2015

Disbursement of Vermont RGGI Proceeds 2015 auctions

Total Proceeds	\$3,327,755.08
Administrative Costs	\$61,663.55 ^b
Trustee Costs	\$4,000
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Net Proceeds	\$3,262,091.53

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 directly related to RGGI participation, including staff time and travel, totaling \$ 61,663.55 from auctions 27 through 29. No Request has yet been submitted for reimbursement from auction 30 at this time but it should be anticipated that a request of approximately \$15,000 (based on prior requests) will be forthcoming from ANR. The remaining approximate amount of \$3.2 million of proceeds will be deposited into the Electrical Efficiency Fund from the 2015 auctions.

^b Represents only administrative costs for auctions 27 through 29.