



# ***Emerging U.S. Mandatory Carbon Markets: Potential for Cooperation***

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# Overview

- U.S. States Developments
  - Northeast Regional Greenhouse Gas Initiative (RGGI)
  - California Global Warming Solutions Act (AB32)
  - Western Regional Climate Action Initiative
- Issues for Cooperation
- Next Steps



# *Regional Greenhouse Gas Initiative*



*The First Mandatory  
Carbon Cap-and-Trade  
Program in the U.S.*

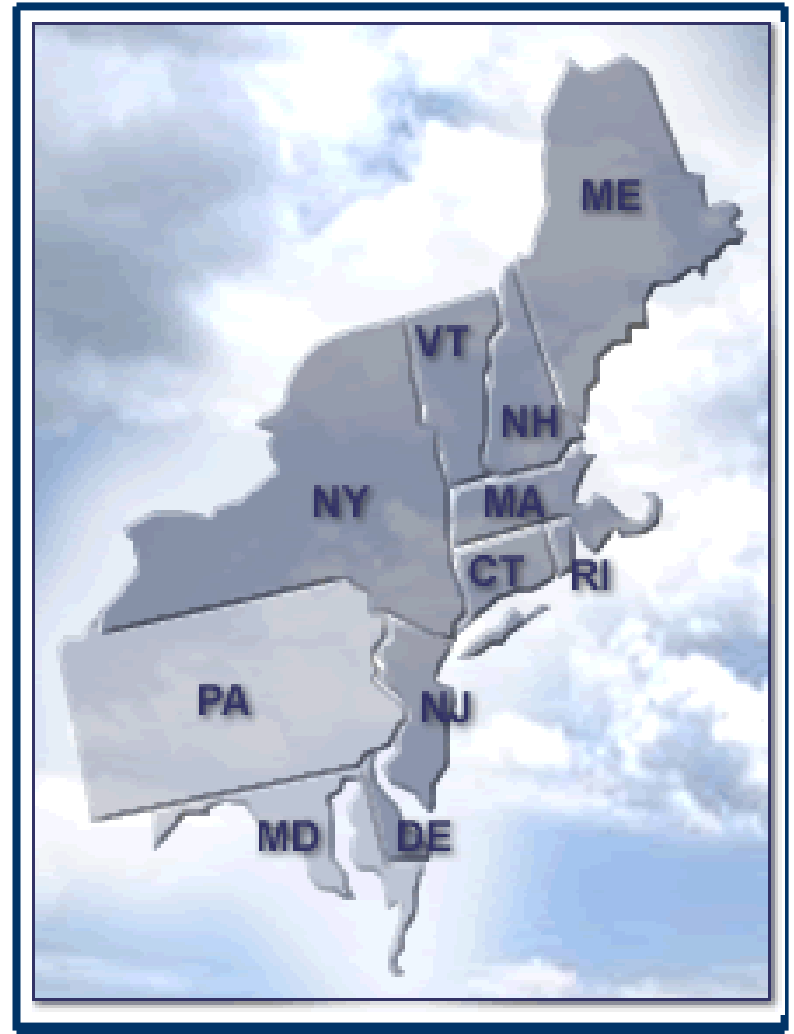
*Launch Date:  
Jan. 1, 2009*





## Process

- Began 2003
- December 2005 Memorandum of Understanding (7 States)
- Model Rule Completed
- MA & RI Joined 2007
- MD to Sign by June 2007



# *The Region at a Glance*

*(CT, DE, ME, MD, ME, NH, NJ, NY, RI & VT)*

- *48.8 million people—  
(16% of US Population)*
- *10% of U.S. Emissions*
- *8<sup>th</sup> largest emitter in the world*
- *\$2.4 trillion economy (19% of U.S.)*



# Reduction Requirements

- Stabilize emissions at current levels through 2014;
- then reduce by 10% by 2019
- ~13% below 1990 levels
- ~35% below business as usual



# RGGI Innovations

- Firing Biomass/Biofuel a “control” method
- Offsets “Valve”
- Offsets—5 Initial Types:
  - Natural Gas, Propane, Heating Oil Efficiency;
  - Land to Forest;
  - Landfill Gas Capture & Combustion;
  - Methane Capture from Animal Operations; &
  - SF<sub>6</sub> Leak Prevention.
- Recognition of CDM Offset Credits



# RGGI Innovations

- Allocations
  - States agreed to propose minimum 25% public benefit allocation in MOU
  - A number of states have proposed 100% auction:
    - New York
    - Massachusetts
    - Maine
    - Vermont

# RGGI Next Steps

- Complete RGGI Implementation
  - Get rules on the books
  - Auction Platform and Emissions & Allowance Tracking System (EATS)
  - First auction early 2008?
- Bring Maryland On
- Add Additional States—PA?
- Link to Western Regional Climate Action Initiative
- Address Imports of Electricity

# *California Global Warming Solutions Act (AB32)*

- *California Air Resources Board (CARB)*
- *Cap-and-Trade Program for 2012?*
  - *CA Market Advisory Committee*
  - *CA PUC Load-based Effort*

# *Western Regional Climate Action Initiative*

- *5 States—Arizona, California, New Mexico, Oregon & Washington*
- *6 months: regional reduction goal*
- *18 months: “regional market-based, multi-sector mechanism”*



# Issues for Linking

- Is a ton in one system the same as a ton in another system?
  - Coverage of the Program
  - Stringency
  - Integrity of the Measurement, Monitoring, Reporting & Enforcement
  - Source-based versus load-based
  - Hard cap versus soft cap; limit on offsets?
  - Leakage?

# Next Steps?

- International Standards for Linking?
  - Integrity of baselines
  - Standards for measurement, monitoring, reporting
  - Enforceability
  - Offset requirements present numerous issues
- Communication among programs
  - Identify issues during program design



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