THE REGIONAL GREENHOUSE GAS INITIATIVE IN 2015 – AND BEYOND

Katie Dykes evaluates the progress made by the first US cap-and-trade system targeting CO2 emissions since its launch in 2009 and what lies in its future

The year 2015 has been an exciting one for climate change policy. As participating states in the Regional Greenhouse Gas Initiative (RGGI), we recently marked the seven-year anniversary of our first-ever auction, and our established track record of success is growing by the day. As of the time of writing, we've had 29 successful quarterly auctions of CO_2 allowances

We've learned many invaluable lessons in the process, and shared our experiences with others working to set up their own programmes. In 2012, we were pleased to congratulate California on the launch of their own carbon trading initiative, and later to watch Québec join in and now Ontario prepare to participate.

Throughout this time, the RGGI states have remained committed to continuous programme improvement. Our 2012 programme review set a variety of improvements in motion, most notably a 45% reduction in the RGGI cap. The new cap was implemented in 2014, and almost two years out, we can see it was a smooth transition. The experience has underscored the great benefits of regular programme review; inevitably, conditions change over time, new research is published by experts, and new feedback emerges from stakeholders. The past year has also seen the release of several new independent studies and reports reinforcing RGGI's success. An independent study from the Analysis Group in 2012 quantified the economic benefits of RGGI's first three years. Recently, the Analysis Group issued a new report covering the period from 2012 to 2014, which finds that the second three-year period generated $1.3 billion in net economic benefit, and 14,200 jobs.[1] Like the 2012 report, this report found that benefits were created in each of the nine RGGI states.

Another new report quantified the considerable health benefits of the RGGI states' move to cleaner fuels, finding that the transition has saved hundreds of lives, prevented thousands of asthma attacks, and reduced medical impacts and expenses by billions of dollars.[2] A third report separately found RGGI to be a significant driver in the carbon pollution emissions decline experienced in the region.[3] More evidence comes in all the time to the effect that RGGI is driving pollution reductions, delivering consumer benefits, and advancing the prosperity of the region as a whole.

Of course the biggest climate policy development of 2015, at least as it relates to RGGI, is the US Clean Power Plan (CPP). The CPP is a landmark achievement for US climate policy, imposing the first national carbon emission standards on power plants. A proposed rule was released in the summer of 2014, accompanied by an extensive national stakeholder outreach process which the Environmental Protection Agency (EPA) described as "unprecedented"; more than four million comments were submitted.[4]

Now that the rule is final, the RGGI states are pleased that the rule continues to support multi-state mass-based programmes as a cost-effective route to achieving emissions reduction goals, and has maintained the great flexibility provided to the states. Meanwhile, EPA summaries suggest that the rule will actually increase nationwide emissions reductions, a measure which the RGGI states supported in our comments to EPA on the proposed rule.

Many initial analyses of the final rule noted that the changes to the CPP building block methodology encourage more states across the nation to pursue cost-effective renewable energy options. Our earlier comments to EPA reinforced the importance of equitable renewable energy targets, and our own track record shows our commitment to renewables, with a 63% increase in non-hydro renewables between 2005 and 2013.[5]

Several RGGI states are pioneering innovative methods to finance and develop clean energy. Connecticut has implemented the nation's first Green Bank and, in the wake of its success, New York followed suit this year. In 2014 alone, the Connecticut Green Bank deployed nearly $20 million and approved an additional $5 million for projects, enabling the deployment of 3.5MW of clean energy and preventing the emission of more than 61,000 tons of CO_2.[6] The New York

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Green Bank is aiming for $1 billion in capitalisation, and early estimates suggest this could produce as much as $8 billion of additional private sector investment in clean energy projects over the next 10 years.[7]

Another important development noted in many initial analyses of the final CPP rule is a shift towards greater recognition of the accomplishments of early actors in reducing emissions, combined with greater requirements of those that have not yet taken advantage of cost-effective emissions reductions. This is also in line with the RGGI states' comments.

Though our states' goals remain among the most ambitious in the country, we're well-placed to meet them thanks to RGGI and the complementary programmes we already have in place. It's too early to say whether any technical changes will be needed to RGGI itself, but we'll be able to discuss and address that topic in the course of our upcoming 2016 programme review process. Likewise, it's too early to say whether RGGI might grow or expand, but we have the groundwork in place to plan for that possibility.

Looking ahead, we know that climate action will only increase in importance. The past year saw the issuance of the first US Quadrennial Energy Review, which found that severe weather is the leading cause of power disruptions, costing the US economy from $18 billion to $33 billion a year.[8] Like other RGGI states, Connecticut is already struggling with impacts from severe storms and sea level rise. This provides even more motivation to cut our emissions, and reinvest RGGI proceeds in measures such as energy efficiency that will improve grid reliability and reduce consumer costs.

The national pledges made so far leading up to Paris show that many leaders think the same. The RGGI states account for more than 15% of US GDP,[9] and the Congressional Research Service found that our total emissions from energy consumption are comparable to those of France.[10] Our states' achievements have global significance, both in terms of our actual reduction in carbon pollution and in setting an example and sharing our experiences for the benefit of others.

To nations preparing to assemble in Paris, our message is this: our experience shows that reducing harmful carbon pollution can go hand in hand with economic prosperity, grid reliability, consumer benefits, and job creation. We've shown this both in our clearly observable track record, and in a variety of independent studies, reports, and analyses. After seven years of success, we're pleased to continue to share the benefits of our experience with the world.

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(1) Hibbard, Paul et al. "The Economic Impacts of the Regional Greenhouse Gas Initiative on Nine Northeast and Mid-Atlantic States." The Analysis Group. 14 July 2015. (2) Banks, Jonathan and David Marshall. "Regulation Works: How science, advocacy and good regulations combined to reduce power plant pollution and public health impacts; with a focus on states in the Regional Greenhouse Gas Initiative." Clean Air Task Force. July 2015. (3) Murray, Brian C. and Peter T. Maniloff. "Why Have Greenhouse Emissions in RGGI States Declined? An Econometric Attribution to Economic, Energy Market, and Policy Factors." Energy Economics. 15 August 2015. (4) "Fact Sheet: Overview of the Clean Power Plan." US EPA. 2015 (5) "Detailed State Data." US EIA. 2015. (6) "2014 Annual Report." Connecticut Green Bank. 2015. (7) "Our Approach: Overview." NY Green Bank. 2015. (8) "The Quadrennial Energy Review." US Department of Energy. 21 April 2015. (9) "Regional Economic Accounts." US Bureau of Economic Analysis. 2015. (10) Ramseur, Jonathan L. "The Regional Greenhouse Gas Initiative: Lessons Learned and Issues for Congress." Congressional Research Service. 2 July 2015.

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