The RGGI CO2 Cap

The RGGI CO2 cap represents a regional budget for CO2 emissions from the power sector. A CO2 allowance represents a limited authorization to emit one short ton of CO2 from a regulated source, as issued by a participating state.

Following a comprehensive 2012 Program Review, the nine RGGI states implemented a new 2014 RGGI cap of 91 million short tons. The RGGI cap then declines 2.5 percent each year from 2015 to 2020.

The RGGI states include two interim adjustments to the RGGI cap to account for banked CO2 allowances. The first – the First Control Period Interim Adjustment for Banked Allowances – is a reduction to the RGGI cap equivalent to the private bank of first control period (2009-2011) CO2 allowances. The adjustment is applied to each state’s annual CO2 allowance budget for 2014-2020.

The second – the Second Control Period Interim Adjustment for Banked Allowances – is a reduction to the RGGI cap equivalent to the private bank of CO2 allowances for CO2 allowance allocation years 2012 and 2013 that are in addition to the total quantity of 2012 and 2013 CO2 emissions. The adjustment is applied to each state’s annual CO2 allowance budget for 2015-2020.

The first control period adjustment is 57.4 million CO2 allowances for 2014-2020. The second control period adjustment is 82.1 million CO2 allowances for 2015-2020.

The RGGI cap and RGGI adjusted cap for the years 2014-2020 are as follows:

- 2014: RGGI cap is 91,000,000, RGGI adjusted cap is 82,792,336
- 2015: RGGI cap is 88,725,000, RGGI adjusted cap is 86,833,592
- 2016: RGGI cap is 86,506,875, RGGI adjusted cap is 84,615,467
- 2017: RGGI cap is 84,344,203, RGGI adjusted cap is 82,452,795
- 2018: RGGI cap is 82,235,598, RGGI adjusted cap is 80,344,190
- 2019: RGGI cap is 80,179,708, RGGI adjusted cap is 78,288,301
- 2020: RGGI cap is 78,175,215, RGGI adjusted cap is 76,283,807

In addition, New Jersey sold 279,758 CO2 allowance allocation year 2014 CO2 allowances in 2011, and an estimated 180,894 CO2 allowances for CO2 allowance allocation years 2012 and 2013 in state set aside accounts will be distributed or auctioned after the second control period interim adjustment.

For additional information, see the First Control Period Interim Adjustment for Banked Allowances Announcement and the Second Control Period Interim Adjustment for Banked Allowances Announcement.

From 2009-2011, the cap was 188 million short tons per year for the ten-state region (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont).

From 2012-2013, the cap was 165 million short tons per year for the nine-state region (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont).

Cost Containment Reserve

The RGGI states have also established a Cost Containment Reserve (CCR) of CO2 allowances that creates a fixed additional supply of CO2 allowances that are only available for sale if CO2 allowance prices exceed certain price levels – $4 in 2014, $6 in 2015, $8 in 2016, and $10 in 2017, rising by 2.5 percent each year thereafter.

The CCR is replenished at the start of each calendar year. The CCR is 5 million CO2 allowances in 2014 and 10 million CO2 allowances each year thereafter. For additional information on the CCR see Auction Materials.