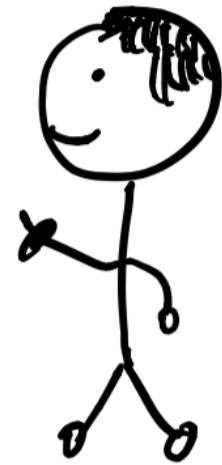


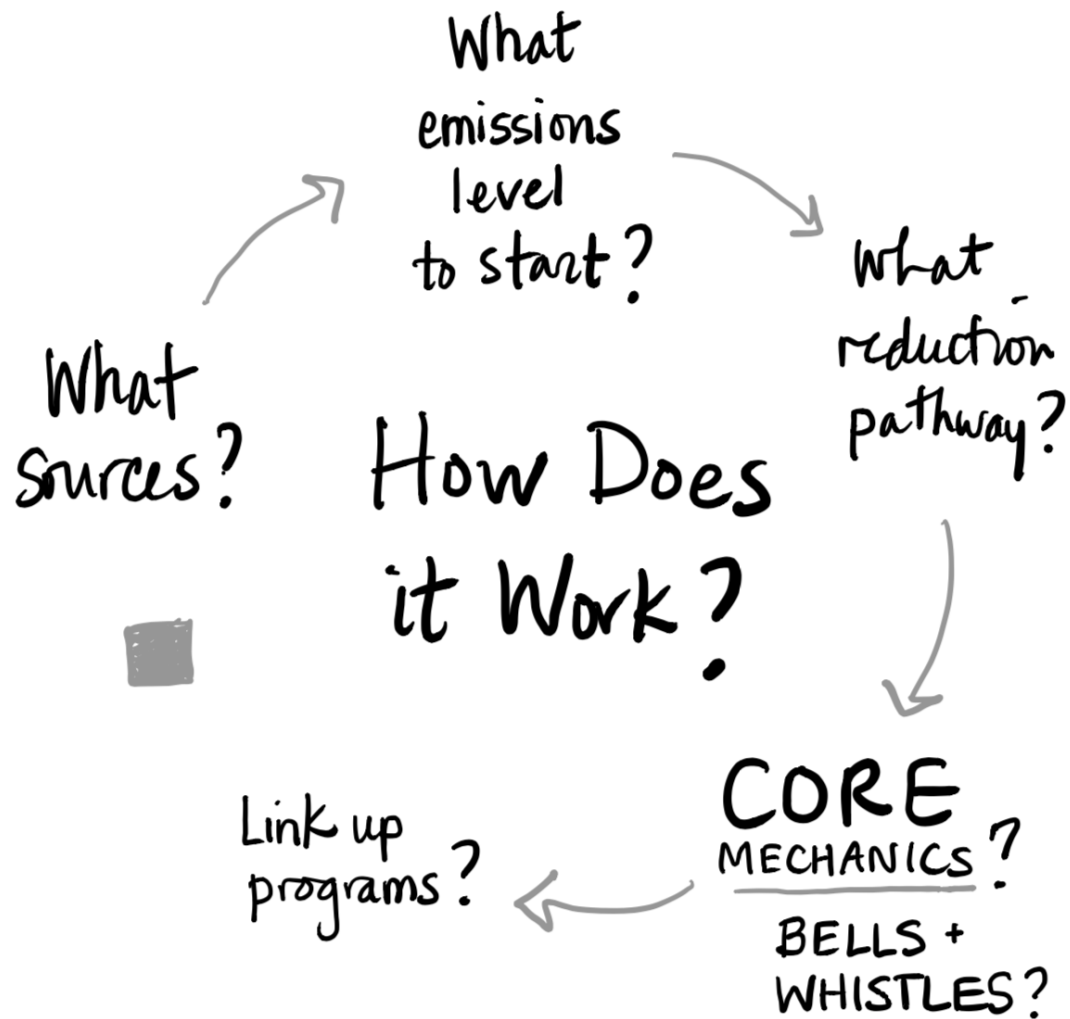
CAP and TRADE 101

Climate Change Advisory Committee
October 1st

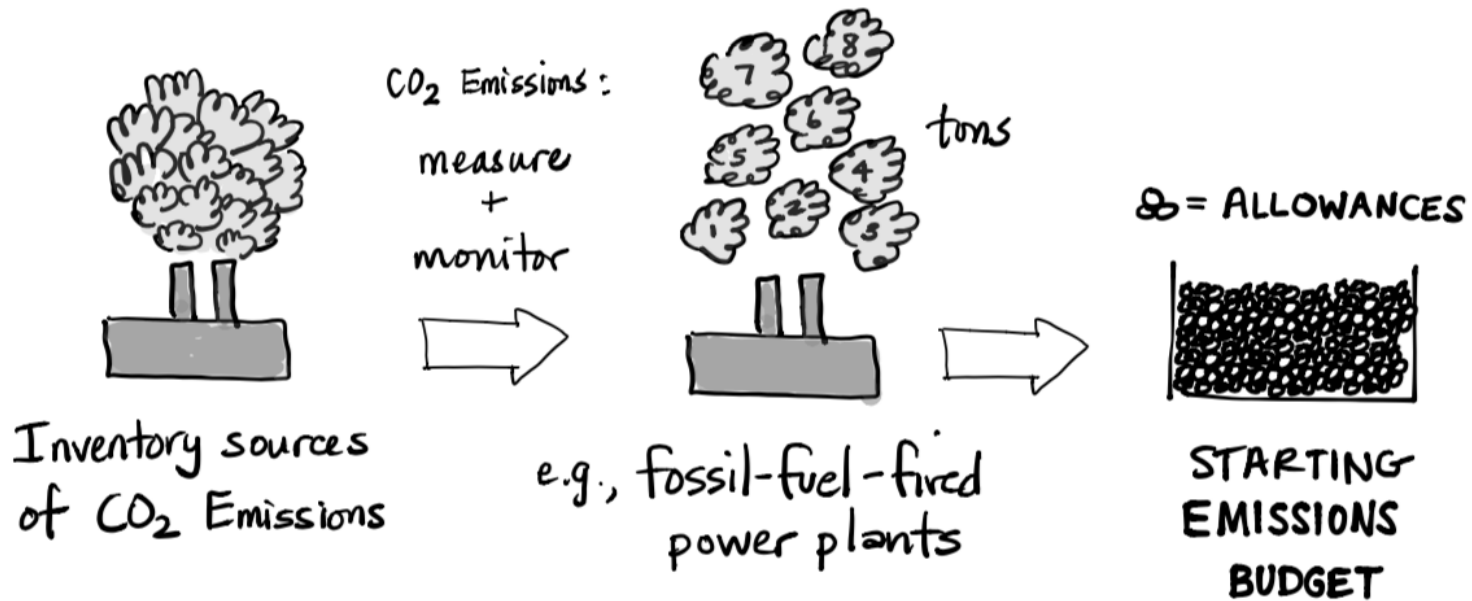


Franz T. Litz
Litz Energy Strategies LLC



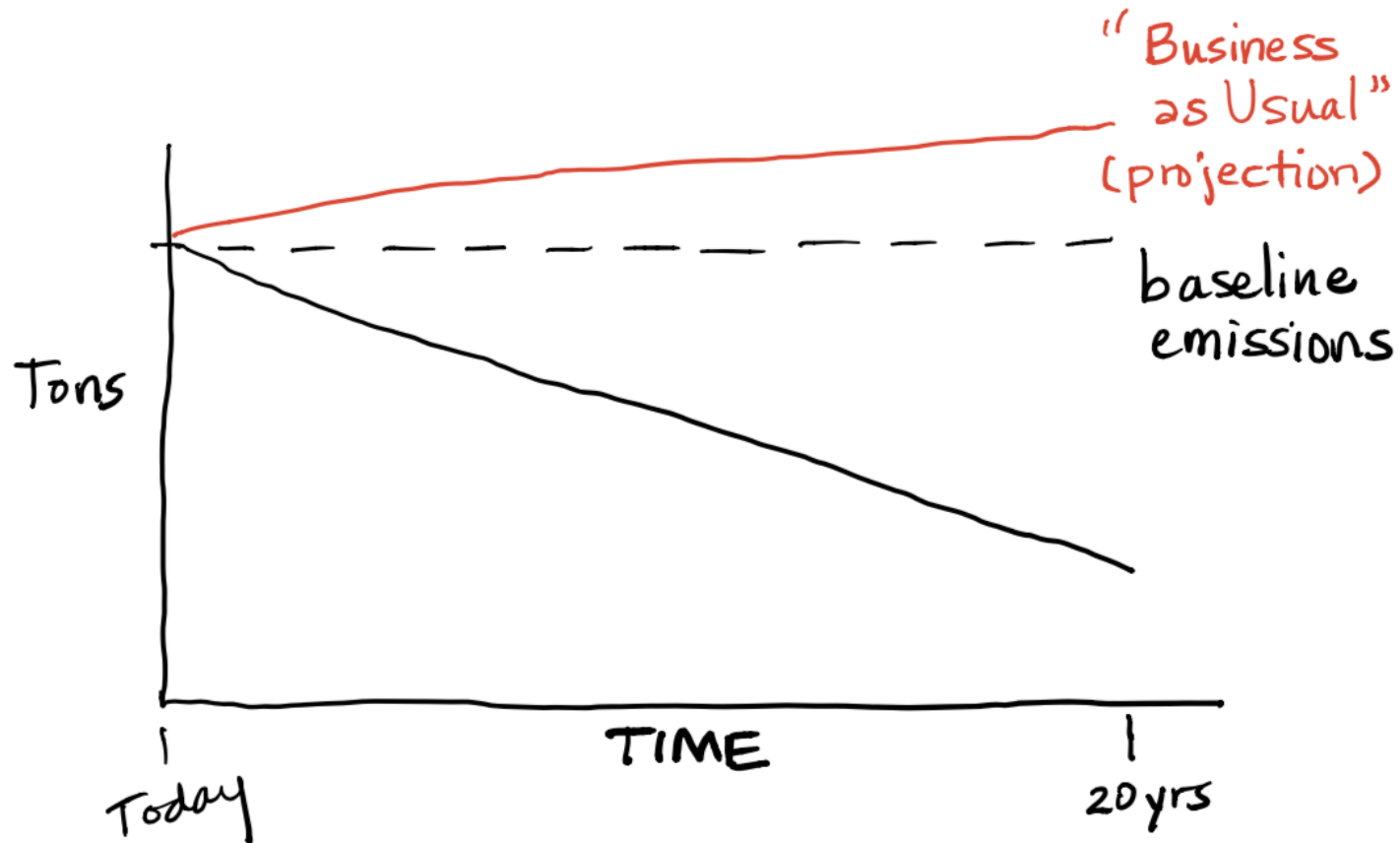


What is the starting point for the cap?



Which sources? What are the current emissions? Where to start?

CAP + RATE OF DECLINE



HOW RGGI WORKS

EMISSIONS BUDGET

The
"Cap" \Rightarrow



⊗ = ALLOWANCES

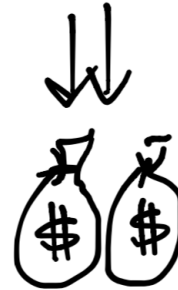


ALLOWANCES ARE DISTRIBUTED
INTO THE MARKETPLACE

ALLOWANCES ARE DISTRIBUTED

DIRECT
ALLOCATION
TO
AFFECTED UNITS
OR
OTHER ENTITIES

AUCTION



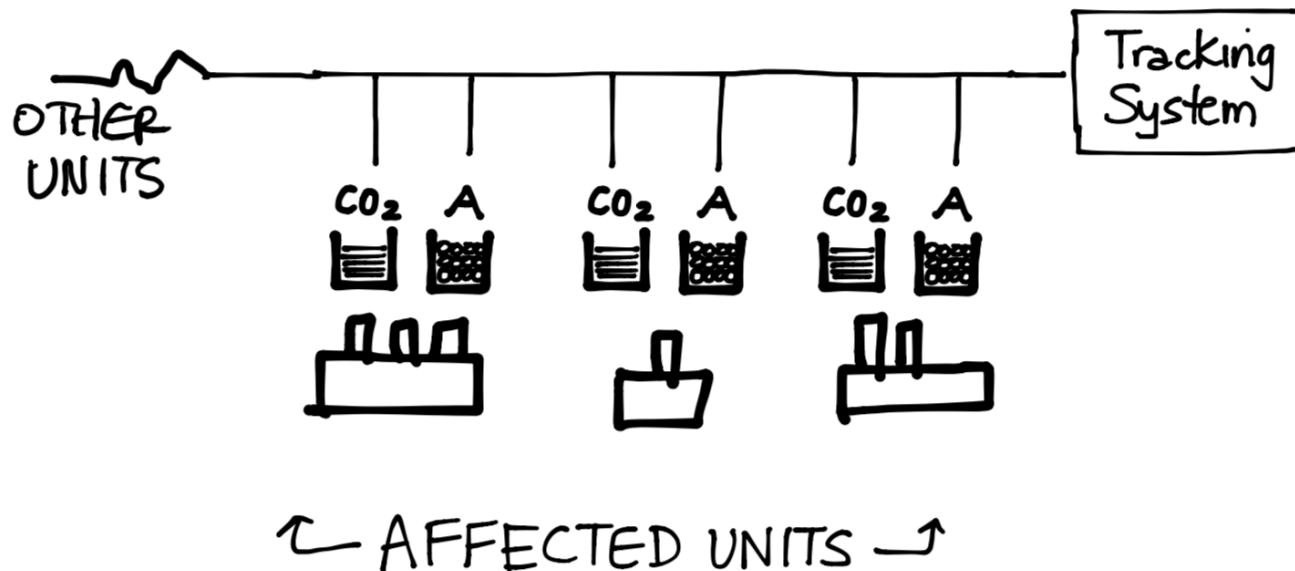
SET ASIDES



CONSIGN TO
AUCTION?

ALLOWANCE DISTRIBUTION MATTERS

COMPLIANCE: FLEXIBLE and SIMPLE



THESE PLANTS MEASURE, MONITOR + REPORT EMISSIONS
AND "TURN IN" ALLOWANCES TO "COVER" EMISSIONS
AT THE END OF EACH COMPLIANCE PERIOD

WHAT IS THE ALLOWANCE PRICE ?



AUCTION
CLEARING
PRICE

and



Trading
↔



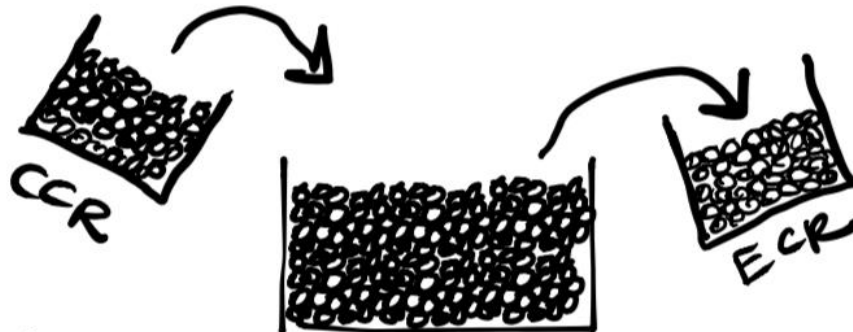
"Secondary Market"

IF THE UNEXPECTED HAPPENS

COST
CONTAINMENT
RESERVE
(CCR)

+

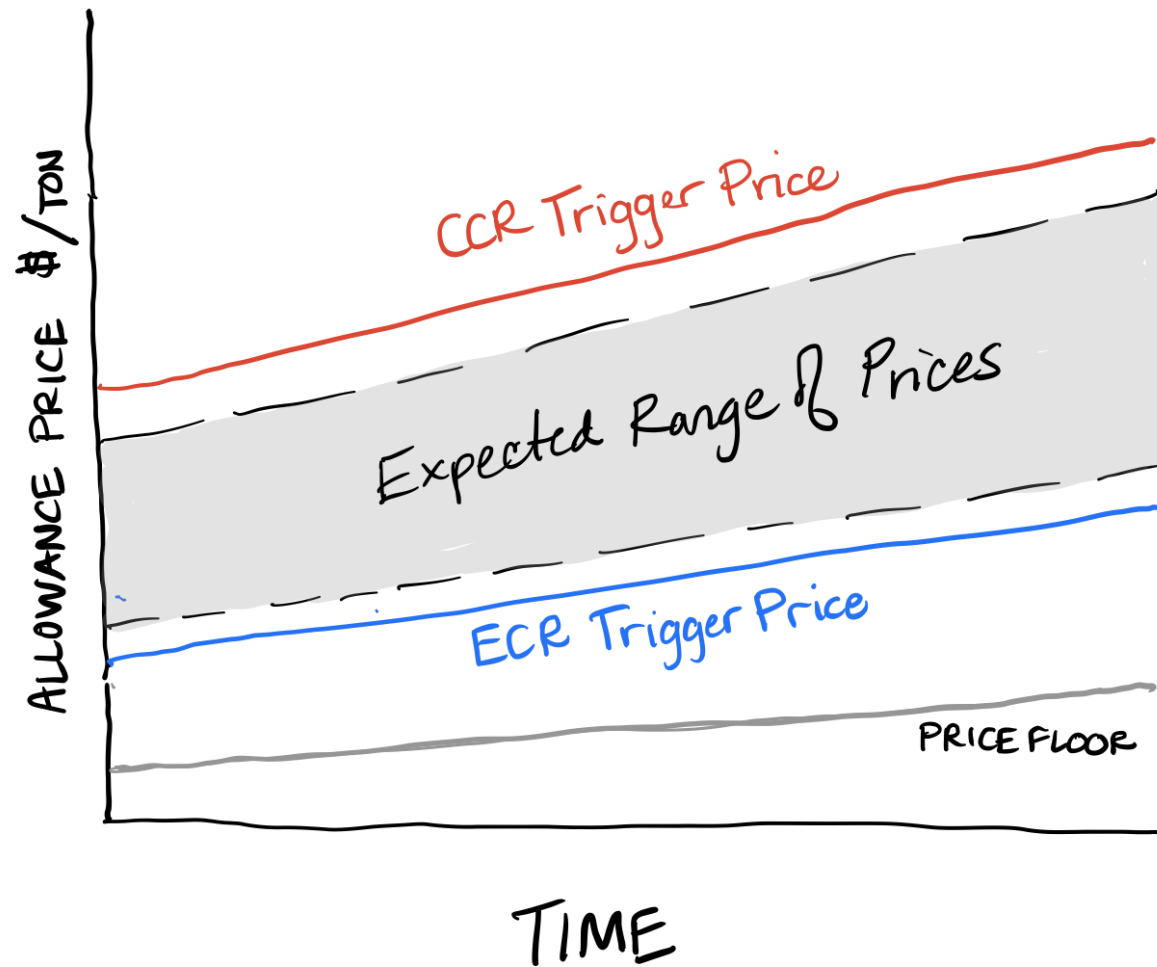
EMISSIONS
CONTAINMENT
RESERVE
(ECR)



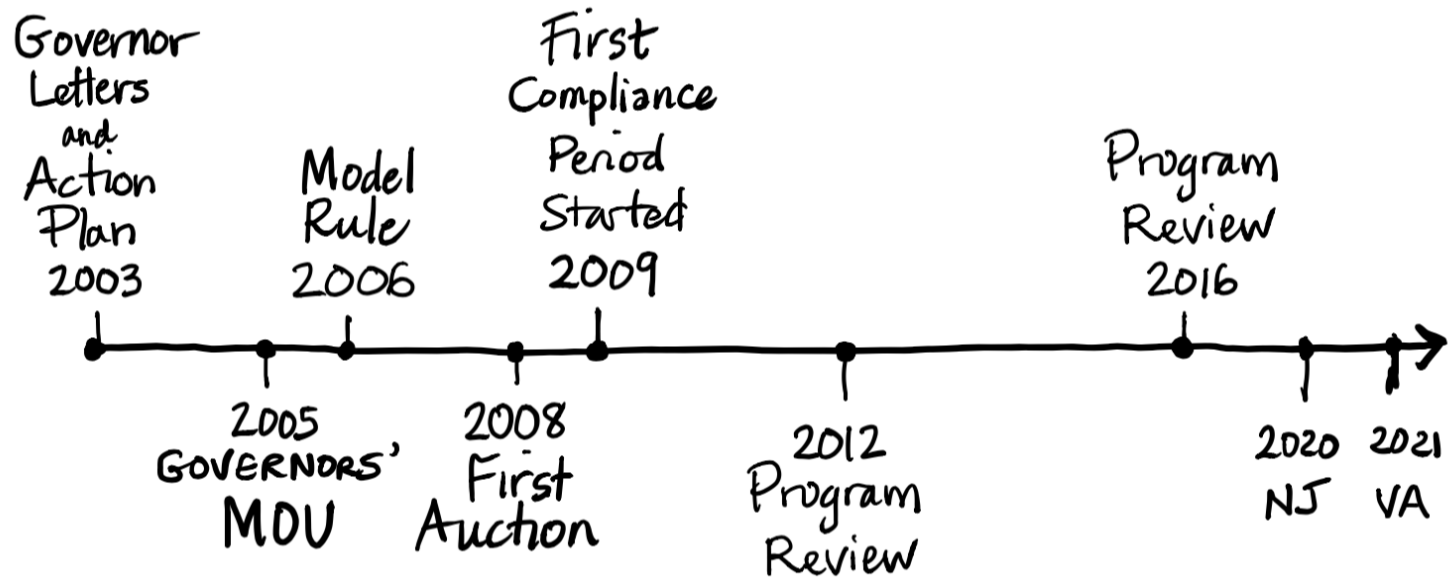
If allowance
prices higher
than expected,
CCR adds
allowances

EMISSIONS
"BUDGET"
(each year)

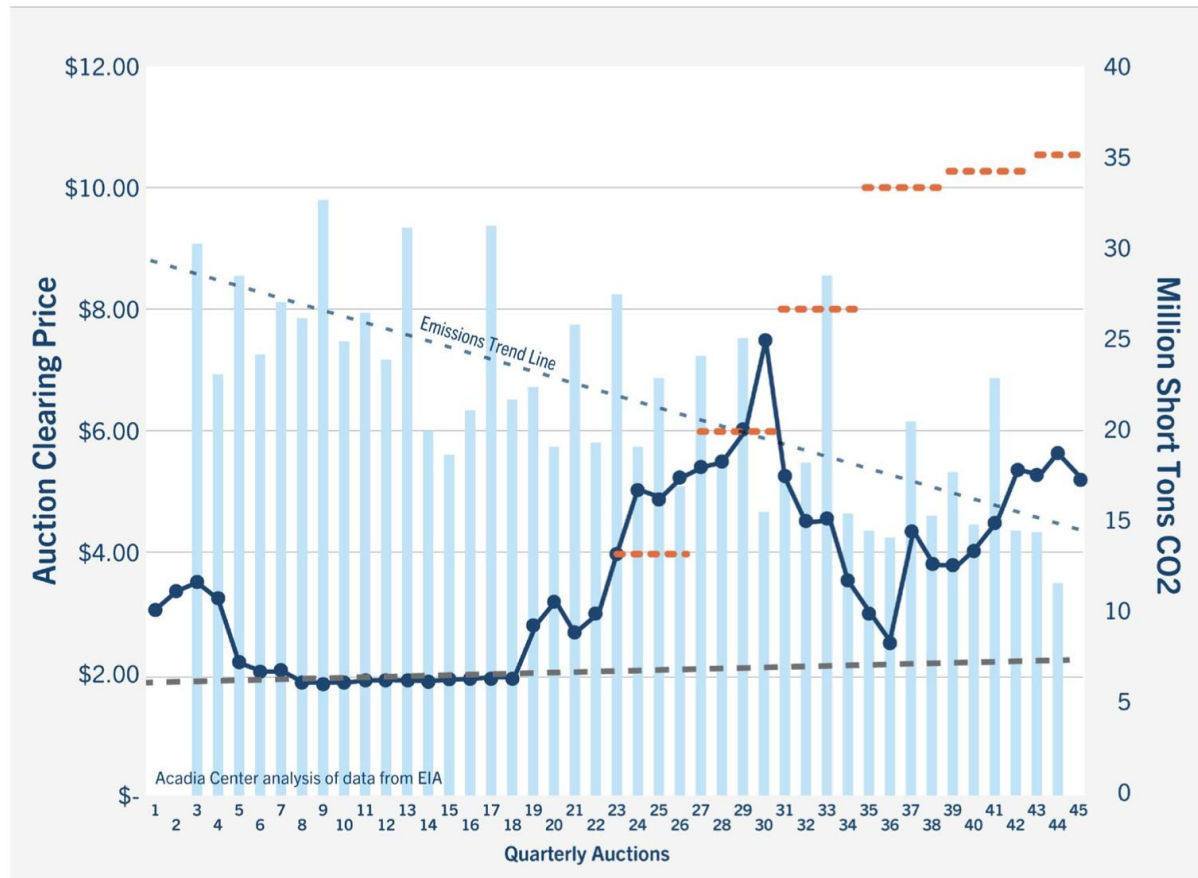
If allowance
prices are lower
than expected,
ECR removes
allowances



TIMELINE

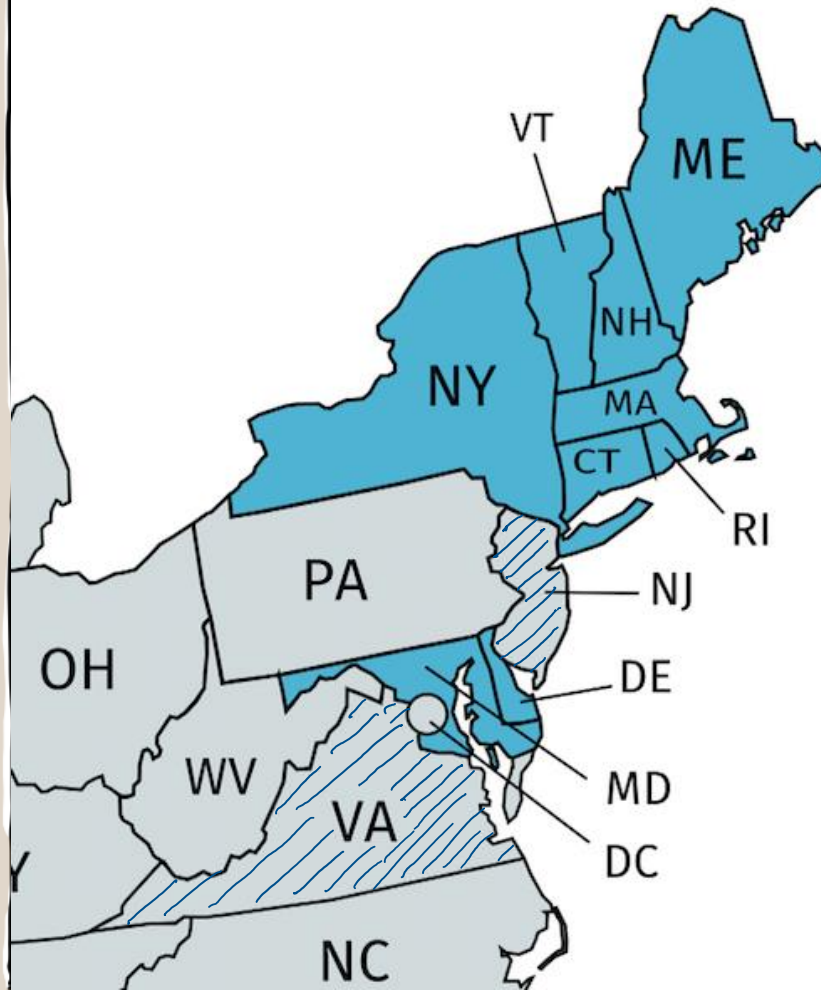


THE TRACK RECORD



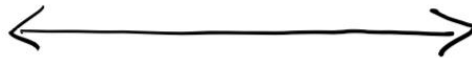
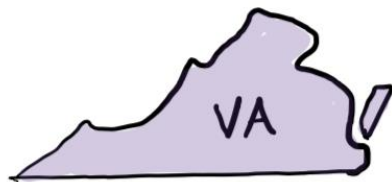
Source: Acadia Center, Sept 2019

SOME THOUGHTS ON LINKING



- RGGI is 9 separate programs, linked by mutual acceptance of each other's allowances
- RGGI states collaborate
 - share auction platform
 - share tracking system
 - market monitor
 - RGGI, Inc. supports

LINKING CONSIDERATIONS



- COMPATABILITY OF DESIGN
- STRINGENCY/AMBITION
- ADMINISTRATION

Thank You!



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