

## States Step Up Regional Climate Change Gas Mitigation Markets

Despite an abdication of responsibility at the federal level, many states have ramped up efforts to mitigate climate change, including through collaborative initiatives such as the Regional Greenhouse Gas Initiative. RGGI, a bipartisan coalition of nine northeastern and mid-Atlantic states that participate in a voluntary cap and trade regulatory system for power sector CO<sub>2</sub> emissions, recently lowered its regional cap by an additional 30 percent between 2020 and 2030. The new cap will be implemented through regulations, based on a RGGI model rule, in each of the participating states — Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont.

Climate change mitigation leadership is nothing new for RGGI, which estimates that since its start in 2005 the participating states have reduced power sector CO<sub>2</sub> emissions by 45 percent. RGGI emphasizes that the nine-state region's per capita gross domestic product grew during that period.

The regulatory scheme provides for the participating states to set an emissions budget and issue allowances consistent with the cap. Allowances, the majority of which are bought at quarterly auctions, allow regulated power plants to emit one short ton of CO<sub>2</sub>. To comply with the cap, power plants also can buy allowances from other emitters and participate in offset projects.

The auction proceeds are used by states for energy and consumer programs. For example, RGGI estimates that the 2015 proceeds that were invested in energy efficiency, clean and renewable energy, greenhouse gas abatement, and direct assistance for consumer bills yielded \$2.3 billion in energy bill savings and avoided 9 million megawatt-hours of electricity use,

28 trillion BTUs of fossil fuel use, and 5.3 million short tons of CO<sub>2</sub> emissions.

On the West Coast, the California legislature last year extended the state's cap-and-trade program to 2030. The program, which is linked with systems in Canadian provinces, sets an ambitious goal of reducing greenhouse gas emissions to 40 percent below 1990 levels by 2030. In addition, the Oregon legislature is considering a trading program that would be linked with the California and Canadian systems.

Although trading systems are welcome during this period of federal inaction, only 20 states currently are pursuing climate mitigation policies that set quantified reduction targets, according to the Rocky Mountain Institute. And,

those 20 states represent only 36 percent of U.S. carbon emissions. Similarly, the Congressional Research Service estimates that the RGGI states account for only 7 percent of

national CO<sub>2</sub> emissions from energy consumption.

Consequently, broadening current programs such as RGGI to include more stringent caps, additional states and regions, and other energy sectors, may be critical to the country's success in reducing greenhouse gas emissions. Conservation Law Foundation President Bradley Campbell, who helped start RGGI in 2005 when he was New Jersey Department of Environmental Protection commissioner, is optimistic. He notes that RGGI "creates an infrastructure to demonstrate that we can decarbonize our energy system and save money for consumers — all with positive impacts on the economy."

Furthermore, CLF and other non-governmental organizations support extending the model to other sectors. Campbell views transportation as the "most urgent sector for attention" and



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predicts that it will take two or three years to develop a sound model and conduct the necessary implementation work. He contends that "a powerful force" moving the process forward will be not only the need to reduce greenhouse emissions but to revamp the current transportation infrastructure finance system. Campbell explains that the current system, which relies on the gas tax, "Will fail as vehicles become more fuel efficient and electrification takes root."

Membership in RGGI also is expanding. Virginia is poised to join and would be the first southern state to participate. In addition, New Jersey's newly elected governor pledged during his campaign to rejoin RGGI. And, as a candidate, Pennsylvania's governor stated his intent to join RGGI but reportedly has faced resistance from his legislature.

Nevertheless, Campbell recognizes that "first and foremost" the challenge is to "come up with a pathway" that can bring in states that are coal dependent or otherwise not interested in emissions reductions. He contends that economics may be the ultimate driver, noting that states that have been "hardliners against emissions reductions are now finding that their job base in fossil fuels is being dwarfed by their job base in renewables and energy innovation."

Regardless of the motivation, it is critical at this juncture for states to step up efforts to address climate change, including expansion of existing trading systems.