Elements of RGGI

The Regional Greenhouse Gas Initiative (RGGI) is a cooperative effort among the states of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont to cap and reduce power sector CO2 emissions.

RGGI is composed of individual CO2 Budget Trading Programs in each participating state. Through independent regulations, based on the RGGI Model Rule, each state's CO2Budget Trading Program limits emissions of CO2 from electric power plants, issues CO2 allowances and establishes participation in regional CO2 allowance auctions.

RGGI is the first mandatory, market-based CO2 emissions reduction program in the United States. Within the RGGI states, fossil-fuel-fired electric power generators with a capacity of 25 megawatts (MW) or greater ("regulated sources") are required to hold allowances equal to their CO2 emissions over a three-year control period.

A CO2 allowance represents a limited authorization to emit one short ton of CO2 from a regulated source, as issued by a participating state. Regulated power plants can use a CO2 allowance issued by any participating state to demonstrate compliance in any state. They may acquire allowances by purchasing them at regional auctions, or through secondary markets.

The RGGI Cap

RGGI CO2 cap represents a regional budget for CO2 emissions from the power sector.

The RGGI states also include two interim adjustments to the RGGI cap to account for banked CO2 allowances accumulated in the first and second control periods. The total interim adjustment for 2014-2020 is 139.5 million CO2 allowances. For more details on the interim adjustments, see:

* [Second Control Period Interim Adjustment for Banked Allowances Announcement](https://www.rggi.org/sites/default/files/Uploads/Design-Archive/2012-Review/Adjustments/2014_03_17_SCP_Adjustment.pdf)
* [First Control Period Interim Adjustment for Banked Allowances Announcement](https://www.rggi.org/sites/default/files/Uploads/Design-Archive/2012-Review/Adjustments/2014_03_17_SCP_Adjustment.pdf)
* [Summary of Proposed Changes to RGGI CO2 Allowance Budget](https://www.rggi.org/sites/default/files/Uploads/Design-Archive/2012-Review/2013-later-materials/Program_Review_%20Summary_of_Proposed_RGGI_Cap_Changes_13_11_21.pdf)

The RGGI cap and RGGI adjusted cap for the years 2018-2020 are as follows.

* 2018: RGGI cap is 82,235,598, RGGI adjusted cap is 60,344,190
* 2019: RGGI cap is 80,179,708, RGGI adjusted cap is 58,288,301
* 2020: RGGI cap is 78,175,215, RGGI adjusted cap is 56,283,807

Post-2020 cap levels have been established through program review, and are detailed in the [Principles to Accompany Model Rule Amendments](https://www.rggi.org/sites/default/files/Uploads/Program-Review/12-19-2017/Principles_Accompanying_Model_Rule.pdf). States will next begin state-specific processes to bring changes arising from program review into effect, based on the updated [2017 Model Rule](https://www.rggi.org/sites/default/files/Uploads/Program-Review/12-19-2017/Model_Rule_2017_12_19.pdf).

Historical Cap Levels

* 2009-2011: RGGI cap was 188 million allowances per year for the ten-state region (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont).
* 2012-2013: RGGI cap was 165 million allowances per year for the nine-state region (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont).
* 2014: RGGI cap was 91,000,000, RGGI adjusted cap was 82,792,336
* 2015: RGGI cap was 88,725,000, RGGI adjusted cap was 66,833,592
* 2016: RGGI cap was 86,506,875, RGGI adjusted cap was 64,615,467
* 2017: RGGI cap was 84,344,203, RGGI adjusted cap was 62,452,795

For more details on the allocation and distribution of allowances from each control period, see the [Allowance Distribution](https://www.rggi.org/allowance-tracking/allowance-distribution) page.

Cost Containment Reserve

The RGGI states have established a Cost Containment Reserve (CCR), consisting of a quantity of allowances in addition to the cap which are held in reserve. These are only made available for sale if allowance prices exceed predefined price levels, so that the CCR will only trigger if emission reduction costs are higher than projected. The CCR is replenished at the start of each calendar year.

The CCR trigger price will increase by 2.5% per year through 2020, and its size will be 10 million allowances each year. Then, based on the [2017 Model Rule](https://www.rggi.org/sites/default/files/Uploads/Program-Review/12-19-2017/Model_Rule_2017_12_19.pdf), after 2020 the CCR size and trigger price trajectory will change. The CCR trigger price will be $13.00 in 2021 and will increase by 7% per year thereafter. The CCR's size will be 10% of the regional cap each year.

Emissions Containment Reserve

Based on the [2017 Model Rule](https://www.rggi.org/sites/default/files/Uploads/Program-Review/12-19-2017/Model_Rule_2017_12_19.pdf), the RGGI states will also introduce an Emissions Containment Reserve (ECR) beginning in 2021. States implementing the ECR will withhold allowances from circulation to secure additional emissions reductions if prices fall below established trigger prices, so that the ECR will only trigger if emission reduction costs are lower than projected.

The ECR trigger price will be $6.00 in 2021, and rise at 7% per year thereafter. Its size will be 10% of the budgets of the states implementing the ECR. (Note that at this time, Maine and New Hampshire do not intend to participate in the ECR).

For a table of CCR and ECR sizes and trigger prices over time, see the [Principles to Accompany Model Rule Amendments](https://www.rggi.org/sites/default/files/Uploads/Program-Review/12-19-2017/Principles_Accompanying_Model_Rule.pdf).

Auctioning and Reinvestment

Allowances are offered through quarterly, regional CO2 allowance auctions. These auctions are sealed-bid, uniform price auctions, which are open to all qualified participants. They result in a single quarterly clearing price.

States are able to reinvest the proceeds from these CO2 allowance auctions in consumer benefit programs to improve energy efficiency and accelerate the deployment of renewable energy technologies. See the [Auction Results](https://www.rggi.org/auctions/auction-results)  page for an overview of the proceeds generated by each auction, and the [Reinvestment](https://www.rggi.org/investments/proceeds-investments) page for more detail on how states have reinvested the auction proceeds to benefit consumers and further reduce pollution.

In addition to purchasing allowances at auction, entities are also able to trade allowances on secondary markets, via over-the-counter trades as well as exchanges such as ICE.

Potomac Economics provides independent expert monitoring of the competitive performance and efficiency of the RGGI allowance market. This includes:

* Identifying attempts to exercise market power, collude, or otherwise manipulate prices in the auction and/or the secondary market;
* Making recommendations regarding proposed market rule changes to improve the efficiency of the market for RGGI Allowances;
* Assessing whether the auctions are administered in accordance with the noticed auction rules and procedures.

The market monitor's regular reports are available on the [Market Monitor](https://www.rggi.org/auctions/market-monitor-reports) page.

Tracking and Compliance

RGGI CO2 budget sources are required to possess CO2 allowances equal to their CO2 emissions over a three-year control period. Sources must also hold allowances equal to 50 percent of their emissions during each interim control period (the first two calendar years of each three-year control period). For more materials on compliance and interim compliance, see the [Compliance](https://www.rggi.org/allowance-tracking/compliance) page.

The RGGI COATS emissions and allowance tracking system enables the tracking of RGGI market and program data, including CO2 emissions from regulated power plants and CO2 allowance transactions among market participants. For more on how emissions and allowances are tracked in COATS, see the [COATS](https://www.rggi.org/allowance-tracking/rggi-coats) overview page and the [Emissions](https://www.rggi.org/allowance-tracking/emissions) page.

Offset allowances, generated by greenhouse gas emissions reduction or carbon sequestration projects outside the electricity sector, can help companies meet up to 3.3% of their compliance obligations. For more details on offsets, see the [Offsets](https://www.rggi.org/allowance-tracking/offsets) pages.