

# GHG Stakeholder Meeting

Rule Review: Transitioning from 7.29 to RGGI

Nicholas M. Bianco



# Background: 310 CMR 7.29

- Multi-pollutant regulations that affect the 6 highest emitting electric generating facilities in MA
- Annual Carbon Dioxide (CO<sub>2</sub>) “cap” standard
  - Effective January 1, 2006
- Annual CO<sub>2</sub> “rate” standard of 1,800 pounds CO<sub>2</sub> per megawatt hour
  - Effective January 1, 2008
- 7.29 is not a cap-and-trade program; it imposes individual facility emissions standards



# Background: 7.29 CO<sub>2</sub> Standards

## Compliance Options

- Out-of-stack emissions
  - or-
- MA GHG Credits
  - Created for projects that reduce, avoid, or sequester emissions of GHGs
  - Required for each ton of CO<sub>2</sub> emitted in excess of the facility's cap and/or rate standard
  - or-
- Payments into Expendable Trust
  - Available only if triggers are met



**MassDEP will continue to  
implement the CO<sub>2</sub> emissions  
standards of 7.29 until RGGI  
commences in January 2009**



**MA GHG Credits**  
**≠**  
**RGGI CO<sub>2</sub> Offsets or Allowances**

# MA GHG Credits $\neq$ RGGI CO<sub>2</sub> Offsets or Allowances

## USE

### MA GHG Credits:

- Can be used to demonstrate compliance without limit
- Each facility's compliance obligation is defined as emissions in excess of the emissions standards

### RGGI CO<sub>2</sub> Offsets and Allowances:

- Facilities retire CO<sub>2</sub> Allowances and CO<sub>2</sub> Offsets equal to their CO<sub>2</sub> emissions during the compliance period
- Use of CO<sub>2</sub> Offsets is constrained as a small fraction of a facility's total compliance obligation



# MA GHG Credits $\neq$ RGGI CO<sub>2</sub> Offsets or Allowances

## ELIGIBILITY

### RGGI CO<sub>2</sub> Offsets

#### Eligible Projects

1. Landfill gas methane
2. SF<sub>6</sub>
3. Afforestation
4. Natural gas, oil, or propane end use efficiency
5. Agricultural manure management
6. Natural gas transmission and distribution equipment (reserved)

### MA GHG Credits

Eligible Projects: Any project that reduces, avoids, and/or sequesters GHG emissions in accordance with 310 CMR 7.00 Appendix B(7)

#### Ineligible Projects:

1. Nuclear power generation;
2. Under-water and under-ground sequestration;
3. Over-compliance with the cap and rate limitations of 7.29 by affected facilities



MassDEP

# Transition Issues



When should MassDEP stop certifying and verifying RGGI-ineligible MA GHG Credits?



What should be done with unused RGGI-ineligible MA GHG Credits once RGGI begins?

- Retain options for facilities to demonstrate compliance with the 7.29 CO<sub>2</sub> emissions standards.



# MassDEP GHG Credit Process

## Background:

Awarding of MA GHG Credits is a 2 step process.

1. The first step is certification. Applicants apply for MassDEP approval of a project and methods for calculating its emissions benefits. This can be done before a project commences, or after it has been completed.
2. After a certified project has reduced, avoided, or sequestered emissions, MA GHG Credits are created through verification.



# Preferred Options for Transition

# Deadline for Creating MA GHG Credits to use for Compliance with 310 CMR 7.29

## Project Proponents:

- December 31, 2008 – Deadline for projects to reduce, avoid, and/or sequester GHG emissions.
- March 31, 2009 – Deadline to submit an administratively complete application for certification and verification.

## Facilities:

- August 31, 2009 – Deadline for facilities to demonstrate compliance with the 7.29 CO<sub>2</sub> emission standards for 2008
  - Delayed from January 31, 2009 to provide MassDEP sufficient time to review applications.



# **MassDEP will Exchange Some RGGI-Ineligible MA GHG Credits for RGGI CO<sub>2</sub> Allowances**

# Rationale for Options

Strike a balance between:

- Commitments & investments made under 7.29

and

- Achieving the full benefits of RGGI



# MassDEP will Exchange Some RGGI-Ineligible MA GHG Credits for RGGI CO<sub>2</sub> Allowances

## Who is Eligible?:

- RGGI-ineligible projects
- Administratively complete applications for certification by the date of rule promulgation, or January 30, 2008, whichever is later.

## How long will these projects be eligible?:

- December 31, 2012 – Deadline to receive exchangeable GHG Credits for reduced, avoided, or sequestered GHG emissions
- March 31, 2013 – Deadline to submit an administratively complete applications for verification.



**MA GHG Credits**  
**≠**  
**RGGI CO<sub>2</sub> Offsets or Allowances**



# Mechanisms for Transferring RGGI-Ineligible MA GHG Credits to RGGI CO<sub>2</sub> Allowances

## Option #1: (Preferred)

- Allow for the annual exchange of 2 GHG Credits for 1 RGGI CO<sub>2</sub> allowance.
- Sufficient RGGI CO<sub>2</sub> allowances would be set aside to cover demand without pro-ration.

## Option #2:

- Set aside 125,000 MA RGGI CO<sub>2</sub> allowances for four years (2009 through 2012).
- Exchange them for GHG Credits at a 1:1 ratio, or lower (pro rata), as constrained by number of eligible GHG Credits.
- Exchange would occur after all GHG Credits have been verified (i.e., June 1, 2013).



# Projects Eligible for RGGI Offsets and MA GHG Credits

- Until March 31, 2009 - Applicants may apply for GHG Credits or RGGI Offsets.
- March 31, 2009 and thereafter – Applicants must apply for RGGI Offsets.
- GHG Credits awarded for RGGI-eligible projects may not be exchanged for RGGI CO<sub>2</sub> allowances.
- Unused MA GHG Credits created from RGGI-eligible projects may be exchanged for RGGI Offsets provided the project meets the requirements of RGGI, including 3<sup>rd</sup> party verification.



# Timeline

Date	Event	Time	Location
April 5, 2007	Stakeholder Meeting #3: Review of Draft RGGI Rule	1:00 PM - 4:00 PM	MassDEP Boston Office
April 10, 2007	Stakeholder Meeting #4: Review of Draft RGGI Rule (Repeat of 4/5/07)	10:00 AM - 1:00 PM	MassDEP Worcester Office
Summer/Fall 2007	MassDEP Proposes Rule to Implement RGGI		
Early 2008	MassDEP Finalizes Rule to Implement RGGI		

- Due to this ambitious schedule, MassDEP requests that stakeholders submit comments by April 17.
- In order to meet the requirements of the Americans with Disabilities Act, MassDEP requests that stakeholders submit comments in Microsoft Word.



# Resources & Contacts:

- For more information regarding RGGI see: <http://rggi.org>
- For the final RGGI model rule see:  
[http://rggi.org/docs/model\\_rule\\_corrected\\_1\\_5\\_07.pdf](http://rggi.org/docs/model_rule_corrected_1_5_07.pdf)
- Questions should be directed to Bill Lamkin
- Comments and requests to be added to, or removed from, the GHG Stakeholder email list should be directed to Nicholas Bianco

William.Lamkin@state.ma.us  
978-694-3294  
MassDEP  
205B Lowell St.  
Wilmington, MA 01887

Nicholas.M.Bianco@state.ma.us  
617-292-5705  
MassDEP  
One Winter St  
Boston, MA 02108

