The Commonwealth of Massachusetts
Department of Environmental Protection

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Background Information and Technical Support Document for Proposed Amendments to:

310 CMR 7.70 *Massachusetts CO*[2] *Budget Trading Program*

June, 2026

Regulatory Authority:

M.G.L. c. 21A, sections 2, 8, 16 and 22, M.G.L c. 21N, and M.G.L. c. 111, sections 2C, 142A through 142E

Contents

I) SUMMARY

The Massachusetts Department of Environmental Protection (MassDEP) is proposing to amend regulation 310 CMR 7.70: *Massachusetts CO^2 Budget Trading Program*. This is MassDEP's regulation to implement the Regional Greenhouse Gas Initiative (RGGI) in the Commonwealth. These proposed amendments would implement program changes agreed to by the RGGI participating states after completing the Third Program Review.

RGGI is composed of individual CO_2 Budget Trading Programs in each participating state. Through independent regulations, based on the RGGI Model Rule, each state's CO_2 Budget Trading Program limits emissions of CO_2 from applicable electric power plants, issues CO_2 allowances, and allows for participation in regional CO_2 allowance auctions. A CO_2 allowance represents one short ton of CO_2 emissions from a regulated power plant. Regulated power plants may use a CO_2 allowance issued by any participating state to demonstrate compliance within the state it is located in. They may acquire allowances by purchasing them at the regional auctions, or through secondary markets.

The proposed amendments to 310 CMR 7.70 would implement the program changes contained in the RGGI Updated Model Rule. The purpose of the RGGI Model Rule is to serve as a template for each of the participating states to propose similar amendments to existing CO_2 Budget Trading Programs. The changes contained in the RGGI Updated Model Rule were agreed to by the ten RGGI participating states[1] after the Third Program Review.

Additional information about RGGI, the RGGI Updated Model Rule, and the third program review is posted on the RGGI.org website.[2]

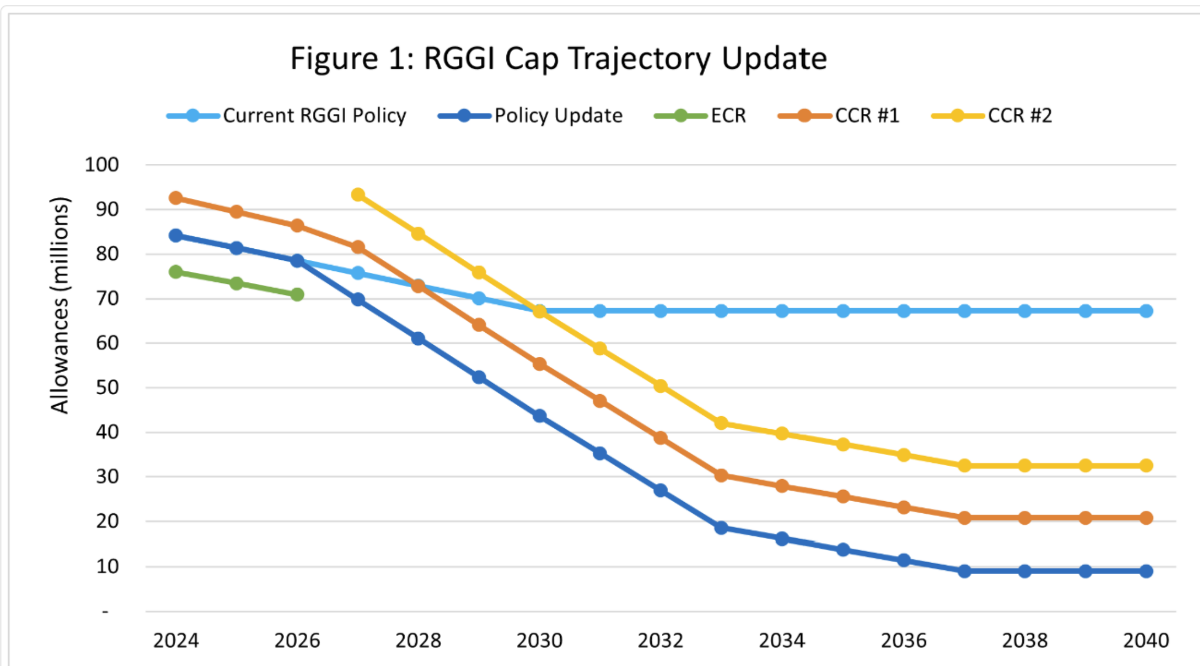
Changes to the Model Rule included in the Updated Model Rule:

- **Reduction in the regional CO_2 budget (the RGGI cap) for the years 2027 through 2037.** The total regional cap begins at 69,806,919 tons of CO_2 in 2027, down from 75,717,784 tons under the previous Model Rule. From 2028 to 2033, it declines by 8,538,789 million tons per year until 2033, then by 2,386,204 million tons per year until 2037. The cap remains flat after 2037. The cap pathway maintains the downward trajectory of the program and supports long-term decarbonization goals.
- **Implementation of an additional Cost Containment Reserve (CCR).** The CCR is designed to ensure availability of RGGI allowances to meet grid reliability needs and protect against cost volatility. The RGGI Updated Model Rule adds a second tier of CCR allowances, available at a higher trigger price. Both CCR tiers will have a fixed

[1] Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont.
[2] https://www.rggi.org/program-overview-and-design/program-review.

annual quantity of approximately 11.75 million allowances across participating states and will be fully fungible. Tier 1 allowances will be triggered when auction prices exceed $19.50 in 2027, increasing 7 percent annually. Tier 2 allowances will be triggered when prices exceed $29.25 in 2027, also increasing 7 percent annually.

- **Elimination of the Emissions Containment Reserve (ECR).** The RGGI Updated Model Rule eliminates the Emissions Containment Reserve (ECR) starting in 2027 and replaces it with an increased minimum reserve price. The new minimum price is set at $9.00 in 2027 and will increase by 7 percent annually. Instead of withholding a fixed number of allowances when prices fall below a trigger, all allowances will be withheld if the auction price is below the minimum reserve price.
- **Numerous administrative updates and technical corrections.**



This figure compares the current regional base cap (light blue) with the updated cap trajectory (dark blue). The orange and yellow lines display the total updated regional cap if all allowances are released from the updated first and second Cost Containment Reserve tiers, respectively.

II) BACKGROUND

The RGGI Program is an ongoing effort among Northeast and Mid-Atlantic States to develop and implement a regional CO_2 cap-and-trade program aimed at reducing CO_2 emissions from large fossil-fuel-fired electricity generating units in the region. Each of the RGGI participating states has promulgated a similar regulation to implement the RGGI program in its state. The individual state RGGI regulations are crafted based on a common template, the RGGI Model Rule.

In January of 2008, MassDEP promulgated 310 CMR 7.70: *Massachusetts CO_2 Budget Trading Program*. The regulations at 310 CMR 7.70 established the rules for implementing the RGGI cap and trade program within the Commonwealth. In July of 2008, the Massachusetts Green Communities Act (GCA), Chapter 169 of the Acts of 2008 was signed into law. Chapter 169, Section 22 (b) (codified at M.G.L. c. 21A, § 22) affirmed MassDEP's legislative authority to participate in RGGI and adopt cap and trade program regulations to implement RGGI.

In Massachusetts, the RGGI program is implemented through two sets of interrelated regulations; 310 CMR 7.70: *Massachusetts CO_2 Budget Trading Program* implemented by MassDEP, and 225 CMR 13.00: *DOER CO_2 Budget Trading Program Auction Regulation* implemented by the Massachusetts Department of Energy Resources (DOER). The regulation at 310 CMR 7.70 establishes the Massachusetts CO_2 state budget, applies to fossil fuel fired electricity generating units (EGUs) in the Commonwealth greater than 25 megawatts in size and establishes the ECR and CCR accounts. This regulation requires applicable EGUs to account for and mitigate their CO_2 emissions.

Between 2010 and 2013, the RGGI participating states conducted the first program review. As a result of the first program review, the participating states adopted amendments to their RGGI regulations to implement several program changes. Between 2015 and 2017, the participating states conducted the second program review. As a result, the participating states adopted additional amendments to their RGGI regulations to again implement program changes.

Between 2021 and 2025, the RGGI participating states conducted the third program review. As an outcome of the third program review, participating states developed a RGGI Updated Model Rule, which the states are using to revise their individual regulations. The RGGI Updated Model Rule was developed through careful consideration of technical analysis and multiple rounds of input from a wide range of stakeholders across the region.

The RGGI Program changes reflected in the RGGI Updated Model Rule are detailed in Section III of this document.

III) DESCRIPTION OF THE PROPOSED AMENDMENTS TO THE MASSACHUSETTS CO_2 BUDGET TRADING PROGRAM REGULATION

Size of the Massachusetts State Budget

To implement its share of the regional allowance cap discussed above, MassDEP is proposing to amend 310 CMR 7.70(5)(a) to update the base budgets for calendar years 2027 through 2030 and to add base budgets for calendar years 2031 and future years, as follows:

- 2027 9,008,537 tons
- 2028 7,882,470 tons
- 2029 6,756,403 tons
- 2030 5,630,336 tons
- 2031 4,504,268 tons
- 2032 3,378,201 tons
- 2033 2,252,134 tons
- 2034 1,930,401 tons
- 2035 1,608,667 tons
- 2036 1,286,934 tons
- 2037 and each calendar year thereafter 965,200 tons

MassDEP is also proposing to delete the base budgets for calendar years 2018 through 2025 because those years have passed.

Cost Containment Reserve

To implement changes to the CCR, MassDEP is proposing to amend 310 CMR 7.70(5)(b) by increasing the size of the CCR and implementing a second tier of CCR allowances. CCR allowances are created in the CO_2 Allowance Tracking System (COATS) by MassDEP and are allocated for the purpose of containing the cost of CO_2 allowances. Currently, the CCR allows up to 10 percent of the base budget in additional allowances to be released into the market if the auction clearing price exceeds the annual CCR trigger price. In 2021, the trigger price was $13.00, and it increases each year by 7 percent. After the CCR allowances are originated, MassDEP transfers the allowances within COATS into the Massachusetts Auction Account for DOER to sell at auction.

Summary of proposed CCR provisions:

- The CCR tier 1 trigger price will match the current CCR's price trajectory of $19.50 in 2027, increasing by 7 percent annually thereafter.
- The CCR tier 2 trigger price will be set at $29.25 in 2027, increasing by 7 percent annually thereafter.
- The size of each CCR tier each year will be 1,515,860 allowances.

DOER intends to simultaneously amend the CCR size and trigger price in 225 CMR 13.00 to be consistent with 310 CMR 7.70.

MassDEP is also proposing to delete the 2014 through 2020 adjusted budgets because those years have passed.

Replacement of the Emissions Containment Reserve (ECR) with the Increased Minimum Reserve Price

As discussed above, consistent with the RGGI Updated Model Rule, beginning in 2027, the proposed amendment to 310 CMR 7.70(5)(b)4. and 8. removes the ECR, which will be replaced with an increased minimum reserve price in the Department of Energy Resources regulations at 225 CMR 13,00, that matches the existing ECR trigger price trajectory.

Voluntary Renewable Energy Purchases

MassDEP and DOER are proposing to eliminate provisions that require MassDEP to retire up to 200,000 RGGI allowances each year to address voluntary purchases of renewable energy (VRE). MassDEP consulted with DOER on this aspect of the proposal and the agencies determined that these provisions are no longer necessary and have the potential to complicate future planning given potential impacts on future allowance budgets and interactions with increasing mandatory clean energy requirements. MassDEP and DOER welcome comments on all aspects of the proposal and the VRE provisions, including whether changes should take effect starting in 2027 or in a later year such as 2030 and whether any other changes may be necessary or appropriate if the VRE provisions are retained in the final regulation.

Miscellaneous

- **Definitions:** The definitions for several terms have been edited for clarity and updated or removed to match corresponding updates throughout 310 CMR 7.70.
- **Monitoring, Reporting and Recordkeeping:** The proposed revisions include streamlined monitoring, reporting, and recordkeeping requirements including removal of general requirements that are duplicative with federal regulations and net output reporting requirements that are no longer needed to implement RGGI.

- **Obsolete Requirements:** MassDEP is also proposing to remove requirements that do not apply in the future including banking adjustment provisions implemented after past program reviews and adjustments that only applied in 2015 and 2016.
- **Other:** Certain references have been updated or corrected for clarity and consistency with the changes discussed above.

Lastly, MassDEP proposes to make other technical changes and corrections to address typographical errors, make the regulations clearer, and improve consistency with the Model Rule.

IV) IMPACTS OF THE PROPOSED AMENDMENTS

a) Economic Impacts

The RGGI participating states utilized electric sector modeling to show the proposed changes to the program. This modeling indicates that the proposed program update will not increase electricity bills relative to current allowance price conditions and may even result in modest savings. Across all modeled scenarios, projected bill impacts are small (generally within ±1 percent) even before accounting for the reinvestment of auction proceeds, which further mitigates customer cost impacts. Modeling also suggests that the updated CCR and minimum reserve price mechanisms will help reduce allowance price volatility and improve market predictability. Detailed modeling results are available at the RGGI.org website under Program Review.

b) Impacts on Massachusetts Municipalities

Pursuant to Executive Order 145, state agencies must assess the fiscal impact of new regulations on the Commonwealth's municipalities. The proposed regulations will not negatively affect cities or towns. While the communities that own electric power plants would be subject to the regulation and incur the cost of CO_2 allowances as part of their operating costs, many municipalities throughout the Commonwealth will benefit from investment in measures funded partly from RGGI auction proceeds. Furthermore, MassDEP notes that ownership and operation of a power plant, which municipalities may voluntarily undertake, is not a mandated municipal service. Therefore, costs associated with operation of a power plant are not mandated costs subject to the restrictions of Proposition 2 ½. M.G.L. c. 29, § 27 C(a).

c) Massachusetts Environmental Policy Act (MEPA)

Pursuant to the MEPA Regulations at 301 CMR 11.03(12), MassDEP is not required to file an Environmental Notification Form regarding the proposed amendments. The proposed amendments will not reduce standards for environmental protection, nor do they reduce opportunities for public participation in review processes or public access to information generated or provided in accordance with these regulations.

V) PUBLIC HEARING AND COMMENT

MassDEP will hold a public hearing on the proposed amendments in accordance with M.G.L. c. 30A and will publish a notice of the hearing and comment period at least 21 days before the public hearing. MassDEP will accept written comments for 10 days after the public hearing. The public hearing notice and proposed amendments are available on MassDEP's website at: MassDEP Public Hearing and Comment Opportunities Web Page. For further information, please send inquiries to: climate.strategies@mass.gov.