Proposed Changes to COMAR 26.09.02.08 and .09

Air and Radiation Administration

Climate Change Division

September 18, 2017
RGGI Background

- Voluntary Program
- 9 States Participate
  - Composed of individual CO$_2$ Budget Trading Programs
- Carbon Cap on Power Plants
- Most allowances sold at auction
- Auction proceeds fund energy programs
- Maryland CO$_2$ Budget Trading Program contains four set-aside accounts
• Intent was to spur renewable energy development.

• Outlines a process for the retirement of CO$_2$ allowances in exchange for the voluntary purchase of renewable energy demonstrated through the retirement of renewable energy certificates (RECs).

• When a REC holder residing in or doing business in Maryland accumulates RECs, the holder may submit documentation in exchange for the permanent retirement of CO$_2$ allowances from the VRSA.
  – Applies to a person, electricity supplier, retail marketer, or renewable energy facility.

• Current allocation of 350,000 allowances per year.
Proposed Changes to VRSA

• COMAR 26.09.02.08D

• “The Voluntary Renewable Set-aside Account shall expire on January 1, 2018.”

• With the increased sustainability of renewable energy in recent years, the VRSA has become unnecessary and can now expire.
COMAR 26.09.02.09
Clean Generation Set-Aside Account (CGSA)

• An incentive to develop new “clean” in-state power.

• A source is eligible to receive allowances from the CGSA if it:
  – Uses gaseous fossil fuel as the primary fuel;
  – Has applied best available control technology (BACT) or lowest achievable emission rates (LAER) as applicable; and
  – Has not been constructed pursuant to an order issued by PSC or by agreement with the State.

• Current allocation of 1,875,199 allowances per year.
Proposed Changes to CGSA

• COMAR 26.09.01.02B(50-1) and (75-1)

• New Definitions:
  – “Early Applicant’ means an eligible CO₂ budget unit that commence operation prior to or on December 31, 2017.”
  – “Non-early Applicant’ means an eligible CO₂ budget unit that commences operation after December 31, 2017.”

• Differentiation is necessary to ensure existing CO₂ budget units that intend to participate in the CGSA receive CGSA CO₂ allowances included in their planned construction and budgeting.
Proposed Changes to CGSA

• COMAR 26.09.02.09C

• Allocation of CO₂ Allowances to the CGSA:
  – 1,875,199 CO₂ allowances for 2017
  – 1,687,679 CO₂ allowances for 2018
  – 1,500,159 CO₂ allowances for 2019
  – 1,312,639 CO₂ allowances for 2020
  – 1,125,119 CO₂ allowances for 2021
  – 937,599 CO₂ allowances for 2022

• Allocation decreases annually by 10 percent (187,520 allowances) from 2017 allocation.
Proposed Changes to CGSA

• COMAR 26.09.02.09D(2)

• Calculating Award of CO₂ Allowances for Early Applicants:
  – 468,800 CO₂ allowances for 2017
  – 421,920 CO₂ allowances for 2018
  – 375,040 CO₂ allowances for 2019
  – 328,160 CO₂ allowances for 2020
  – 281,280 CO₂ allowances for 2021
  – 234,400 CO₂ allowances for 2022

• Awarded amount decreases annually by 10 percent (46,880 allowances) from 2017 amount.

• This guarantees that Early Applicants receive the prescribed amount of CGSA CO₂ allowances, proportioned out based on the amounts requested by all Early Applicants.
  – E.g., if two Early Applicants request CO₂ allowances for a particular year, that year’s award value will be proportioned evenly between the two Early Applicants.
Proposed Changes to CGSA

• COMAR 26.09.02.09D(3) and (4)

• Two possible scenarios are accounted for based on the number of CO₂ allowances allocated, guaranteed award to Early Applicants, and award to Non-early Applicants:
  – Calculating Award of CO₂ Allowances when Requests are Less than Allocation
  – Calculating Award of CO₂ Allowances when Requests are Greater than Allocation
Proposed Changes to CGSA

• COMAR 26.09.02.09D(3)(a) and (b)

• Calculating Award of CO₂ Allowances when Requests are Less than Allocation

• “If, after all the allowances are awarded under §D(2)(a), the Department finds that it has only received requests for CO₂ allowances for a calendar year from Early Applicants, and the number of allowances requested does not exceed the remaining number of allowances in the Clean Generation Set-aside Account, the remaining CO₂ allowances will be awarded based on the number of CO₂ allowances requested by the number of eligible Early Applicants for each calendar year, not to exceed the amount directed in §D(1) of this regulation.”

• “If, after all the allowances are awarded under §D(2)(a), the Department finds that it has received requests for allowances for a calendar year from both Early Applicants and Non-Early Applicants, and the number of CO₂ allowances requested by both Early Applicants and Non-Early Applicants does not exceed the number of remaining CO₂ allowances in the Clean Generation Set-aside Account, the remaining CO₂ allowances will be awarded based on the number of CO₂ allowances requested by the number of eligible Early Applicants and Non-early Applicants, not to exceed the amount directed in §D(1) of this regulation.”
Proposed Changes to CGSA

• COMAR 26.09.02.09D(4)(a) and (b)

• Calculating Award of CO₂ Allowances when Requests are Greater than Allocation

• “If, after all the allowances are awarded under §D(2)(a), the Department finds that it has only received requests for CO₂ allowances for a calendar year from Early Applicants, and the number of allowances requested by Early Applicants exceeds the number of remaining allowances in the Clean Generation Set-aside Account, the remaining CO₂ allowances will be awarded in proportion to the number of CO₂ allowances requested by the number of eligible Early-Applicants for each calendar year, not to exceed the amount directed in §D(1) of this regulation.”

• “If, after all the allowances are awarded under §D)(2)(a), the Department finds that it has received requests for allowances for a calendar year from both Early Applicant and Non-early Applicants, and the number of CO₂ allowances requested by both Early Applicants and Non-early Applicants exceeds the number of remaining CO₂ allowances in the Clean Generation Set-aside Account, the remaining CO₂ allowances will be awarded in proportion to the number of CO₂ allowances requested by the number of eligible Early Applicants and Non-early Applicants, not to exceed the amount directed in §D(1) of this regulation.”
Proposed Changes to CGSA

• COMAR 26.09.02.09H

• “The Clean Generation Set-aside Account shall expire on January 1, 2023.”

• By 2023, the CGSA will have achieved the goal of incentivizing “clean” in-state power, and will no longer be necessary.