

Energy Insights -- August Update Briefing on New England Energy Issues and Trends

RGGI proposes additional 30% emissions cap cut by 2030

After more than a year of negotiations with stakeholders, the Regional Greenhouse Gas Initiative (RGGI) - the nation's first market-based cap and trade program -- is proposing a 30% reduction in its carbon dioxide (CO₂) emissions cap between 2020 and 2030 - a reduction averaging about 3 percent a year.

Implemented in 2009 by a coalition of New England and Mid-Atlantic states, RGGI requires power plants (25 megawatts or greater in size) to possess a tradeable carbon dioxide (CO₂) permit or allowance for each ton of CO₂ emitted. The allowances are then auctioned off and traded between regulated emitters based on how much CO₂ is generated. To date, the Initiative has generated \$2.7 billion in proceeds. Each RGGI state has discretion over administration of the proceeds, the majority of which are invested in clean energy and energy efficiency programs.

The RGGI cap for 2017 is 84.3 million tons of CO₂ per year which declines 2.5% each year until 2020. The new proposal would set the regional cap at 75.15 tons of CO₂ beginning in 2021, and would decline by 2.275 billion tons in each succeeding year until 2030.

In addition to the proposed cap reduction, RGGI is recommending an Emissions Containment Reserve (ECR) which would automatically lower RGGI's cap by up to 10% a year whenever allowance prices fall below expected levels. This is deemed necessary because since RGGI was launched, carbon dioxide permits or allowances have consistently cost less than expected because emissions have decreased faster than

In This Issue:

RGGI proposes additional 30% emissions cap by 2030

MA issues final regulations to reduce GHG emissions

DOE report finds low-cost natural gas driving baseload power plant retirements

Draft ISO NE report finds market revenues insufficient for new resources

RI Governor signs clean energy bills

FERC update

Upcoming Alliance Events:

September 8 -- A Conversation with Nickolas Stavropoulos, President and COO,

projected (40% since 1990) due to state clean energy policies, increased use of natural gas which has replaced oil and coal-fired generation and aggressive energy efficiency programs.

The proposed RGGI changes are based on a review of the program that lasted over a year and incorporated feedback from stakeholders and experts. RGGI will solicit comments at a September 25 public meeting prior to finalizing the changes which must then be approved by each participating state.

Source: "RGGI States Announce Proposed Program Changes: Additional 30% Emissions Cap Decline by 2030", media release, RGGI Inc., August 23, 2017.

MA issues final regulation to reduce GHG emissions

On August 11, MA Governor Baker issued final regulations designed to reduce greenhouse gas (GHG) emissions in the Commonwealth 25% below 1990 levels by 2020 and 80% by 2050, as required by the state's Global Warming Solutions Act, passed in 2008. The regulations were issued to comply with a Massachusetts Supreme Judicial Court decision last year that concluded the state was not doing enough to reduce emissions.

As a result, under an Executive Order, the Massachusetts Department of Environmental Protection was directed to publish proposed regulations by December 16, 2016, hold public hearings on the proposed regulations by February 24, 2017, and finalize those regulations by August 11, 2017. As of 2014, the Commonwealth had reduced emissions by 21% from 1990 levels, leaving about 4% remaining to achieve the 2020 goal. The regulations address six areas that, combined with other Commonwealth climate policies, will ensure this goal is achieved. The areas include:

- Carbon dioxide limits for the Commonwealth's state fleet passenger vehicles
- Global Warming Solutions Act Requirements for Transportation

Pacific Gas and Electric Company

September 29 -- A Conversation with Cheryl LaFleur, FERC Commissioner

Did You Know:

Five New England states rank among the least energy consuming states per capita in the nation?

In terms of total energy consumption per capita for residential, commercial, industrial and transportation sectors combined, RI ranks 49th followed by CT (45th), VT (44th), MA (42nd) and NH (40th).

Source: U.S. Energy Information Administration, Energy Consumption Estimates per Capita by End-Use Sector, Ranked by State, 2015 (latest available).

- Reducing methane emissions from natural gas distribution mains and services
- Increasing clean energy through the development of a clean energy standard
- Reducing carbon dioxide emissions from electricity generating facilities and
- Reducing sulfur hexafluoride emissions from gas-insulated switchgear.

The Executive Order also directs the state to begin planning for climate change adaptation and working with cities and towns across the state to assess vulnerability and build resiliency to address impacts.

Source: "Baker-Polito Administration Issues Regulations to Reduce Greenhouse Gas Emissions and Reach Global Warming Solutions Act Goals," media release, MA Executive Office of Energy and Environmental Affairs, August 11, 2017.

DOE report finds low-cost natural gas driving baseload power plant retirements

A long-anticipated Department of Energy (DOE) report on the nation's electricity grid found persistently low cost natural gas to be the greatest driver of coal and nuclear baseload power plant retirements that are occurring across the country. Other contributing factors included flat electricity demand, environmental regulations and growing penetration of renewables on the grid. The report did not find renewables to be a threat to grid reliability.

The report was conducted in response to a memo by DOE Secretary Rick Perry which ordered agency staff to review the impact of federal and state policies on wholesale markets, including whether wholesale energy and capacity markets adequately compensate baseload resources for providing on-site fuel supply and strengthening grid resiliency.

The report contains eight recommendations for improving reliability and resiliency of the electricity grid including: directing FERC to expedite the study of wholesale market structures; promoting R&D for grid resiliency, reliability, modernization and renewables

integration technologies; and examining infrastructure permitting and regulatory processes. The report is currently undergoing review prior to determining whether and how DOE and other federal agencies will move ahead with the recommendations.

Source: Staff Report to the Secretary on Electricity Markets and Reliability, U.S. Department of Energy, August 2017.

Draft ISO NE study finds market revenues insufficient for new resources

A draft ISO New England study on resource expansion scenarios has concluded that existing wholesale energy markets will not be sufficient to keep new resources economically viable without additional revenues.

The report examined six resource-expansion scenarios for potential effects on future resource adequacy, operating and capital costs for new resources and options for meeting environmental goals. Scenarios included natural gas plants replacing retiring, less efficient power plants as well as those that rely only on clean energy resources to meet future needs.

The study found that while natural gas power plants show the greatest revenue shortfall, renewable resources would also have significant shortfalls. The study concluded that "transitioning to a system with decreasing amounts of traditional resources (e.g., coal, oil, nuclear) and increasing amounts of renewable resources will prove physically and economically challenging." ISO cautioned the study is not yet final and the information could change.

Source: First Draft, "2016 Economic Study: NEPOOL Scenario Analysis, ISO New England, Inc. July 24, 2017.

RI Governor signs clean energy bills

Rhode Island Governor Gina Raimondo signed several bills aimed at expanding the state's clean energy industry. Among them was a 10-year extension of the renewable energy growth program that adds 400MW of solar and wind capacity between 2020 and 2029. Other bills streamline the permitting process for solar

power projects and for connecting renewable energy installations to the grid.

Earlier in the year, Governor Raimondo announced a goal to increase Rhode Island's clean energy output tenfold by 2020 supporting 20,000 clean energy jobs in the process. It is estimated that clean energy employment has grown 66% in the state since 2014.

Source: "Raimondo Signs Bills Supporting Clean Energy Growth," media release, August 9, 2017.

FERC Update: Senate confirms Powelson, Chatterjee to restore quorum

On August 3, the Senate confirmed two new FERC Commissioners -- Robert Powelson, a Pennsylvania utility commissioner, and Neil Chatterjee, an aide to Senate Majority Leader Mitch McConnell who was also named interim chairman. Both join Commissioner Cheryl LaFleur to restore a three-member quorum which the regulatory agency has been without since February.

To fill the remaining vacant spots on the Commission, the Senate Energy and Natural Resources Committee has set a date of September 7 for a nomination hearing for the two remaining nominees including Richard Glick, who serves as the Democratic General Counsel for the Senate Committee on Energy and Natural Resources, and Kevin McIntyre, a Republican who leads the energy practice at Jones Day, a Cleveland law firm. If confirmed, McIntyre would serve as the new Chairman.

About the New England Energy Alliance, Inc.

The New England Energy Alliance is a coalition of energy companies advocating to ensure the availability, reliability and affordability of future energy supplies which are vital to the region's economic growth and prosperity. Formed in 2005, the Alliance works to balance public debate about solutions to New England's energy infrastructure by providing information on the region's energy needs and the resources, technologies and policies needed to meet those needs.

Please visit www.newenglandenergyalliance.org for more information on the Alliance. Follow on twitter @NEEAlliance

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