

Auctioning Carbon to Benefit Maryland's Environment & Economy

I'm pleased to report that Maryland is turning the corner from talking about and studying the problems of climate change to actually implementing clean energy solutions that will benefit both the environment and our economy for many years to come.

This week, the ten Northeastern and Mid-Atlantic states participating in the country's first mandatory carbon cap and trade program—Connecticut, Delaware, Maine, Massachusetts, Maryland, New Hampshire, New Jersey, New York, Rhode Island, and Vermont—announced that the Regional Greenhouse Gas Initiative's first auction was off to a strong start.



*Governor O'Malley joining
RGGI in 2007*

The landmark program, nicknamed RGGI ("reggie"), is designed to reduce global warming emissions from electricity generation in two ways. First, a cap is placed on the largest sources of greenhouse gas emissions: electricity generators. Emissions from power producers will be capped at 2009 levels beginning in 2009 through 2014. The cap will then be reduced by 10 percent between

2015 and 2018. Second, by requiring electricity generators to pay for each ton of carbon dioxide they produce, the RGGI program will generate an unprecedented level of investment in energy efficiency measures to help us lower energy consumption.

In the first RGGI auction, 12,565,387 carbon dioxide (CO₂) allowances for greenhouse gases were auctioned. Forty-two percent of those allowances came from Maryland. At \$3.07 per allowance for each ton of carbon dioxide, not only was the final selling price consistent with projections, demand for carbon allowances was also four times higher than supply. This signals both a strong market and a program that bodes well for the future.

As a result, the State of Maryland will invest \$16.4 million in programs to promote cleaner energy sources, energy efficiency and conservation, and provide rate relief for low and moderate income households—all of which will go a long way to fight climate change and lower our electricity bills.

The Maryland Energy Administration's Strategic Energy Investment Fund allocates the funds from RGGI as follows:

MARYLAND

- Low income energy assistance (through the Electric Universal Service Program) = 17%
- Residential rate relief = 23%
- Energy efficiency, conservation and demand response programs = 46%
- Clean energy & climate change programs, outreach & education = 10.5%
- Administration of Fund = 3.5%

Last week's RGGI auction was several years in the making. In 2006, the General Assembly passed the Healthy Air Act requiring Maryland to join RGGI if it could be demonstrated that doing so would be beneficial. A subsequent study by the University of Maryland showed that joining RGGI would have a limited impact on the economy and electric power markets in Maryland but, overall, would provide a net benefit to consumers in the form of savings on their electricity bills. Governor O'Malley officially signed Maryland up to join RGGI in April 2007.

More than five years of planning, modeling, and consultation went into designing this program to reduce greenhouse gases at the lowest possible cost while encouraging

the development of a clean-energy economy. From my perspective at the Maryland Department of the Environment, it has been remarkable to witness ten states—each with their own issues, agencies, and regulations—joining together for this truly ground-breaking effort.

With RGGI underway, we are demonstrating that a program to reduce greenhouse gases can work.

RGGI is just one of a number of new initiatives to help Maryland invest in a clean energy future, with green jobs and benefits to our State—several, including RGGI, are detailed in the *Climate Action Plan* that was the subject of last month's EnviroMatters. Just this week, Governor O'Malley announced the construction of a solar power system at the Maryland Environmental Service's headquarters in Millersville, the first of its kind among Maryland State agencies, which will generate approximately 300 kW of power.

We are all looking forward to many more such projects!



Sincerely,

Shari T. Wilson
Secretary, Maryland Department of the Environment