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All,

Secretary Wilson asked me to circulate this information.

Florida Declines RGGI Participation in Favor of Federal GHG Program

The expectation of a federal GHG program has prompted Florida to decline becoming a member of the Regional Greenhouse Gas Initiative (RGGI). If Florida had joined, it might have significantly increased allowance demand and prices by greatly increasing the size of the program. Florida's power sector emits over twice the emissions (127 MMTCO₂) of RGGI's largest state, New York (56 MMTCO₂), and would have raised RGGI's total 170 million metric ton cap by about 75%.

The Florida Department of Environmental Protection made the state's decision public late last week. Amy Graham, an agency spokeswoman said: "Due to the strong likelihood of federal action on climate policy, the Florida DEP will not be presenting a proposed cap-and-trade rule to the 2010 Legislature. The decision of whether to join a regional initiative will ultimately rest with the Florida Legislature. While the department is actively following the federal debate and assessing its potential impacts on Florida, the cap-and-trade rule project will continue its work with stakeholders and in discerning policy initiatives Florida may wish to advocate for at the national level. No final decisions on recommendations have been made; all policy options are still under consideration including the decision of whether to join a regional initiative either as a member or an observer."

Florida's membership in RGGI would have likely increased revenue for the 10 RGGI states that have watched their expectations of revenue from \$7-\$10 per RGGI allowance shredded by the reality of allowance prices at or below \$3 per short ton and continuing to fall. While the 10 Mid-Atlantic and Northeast RGGI states have received \$366.5 million to date from auctioning allowances, the money is far less than what they expected -- especially during the nation's economic crisis and state revenue deficits.

A fifth RGGI allowance auction is set for September 9. The Initiative's last auction had a clearing price for 2009 allowances down 28 cents to \$3.23 a short ton from the previous auction. RGGI allowance prices have precipitously dropped in value over the past year due to the program being over-allocated, a situation that has been made worse by lower energy production and corresponding CO₂ emissions with the economic recession.

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