



**Maryland**  
Department of  
the Environment

# **Proposed Changes to COMAR 26.09.02.08 and .09**

Air and Radiation Administration

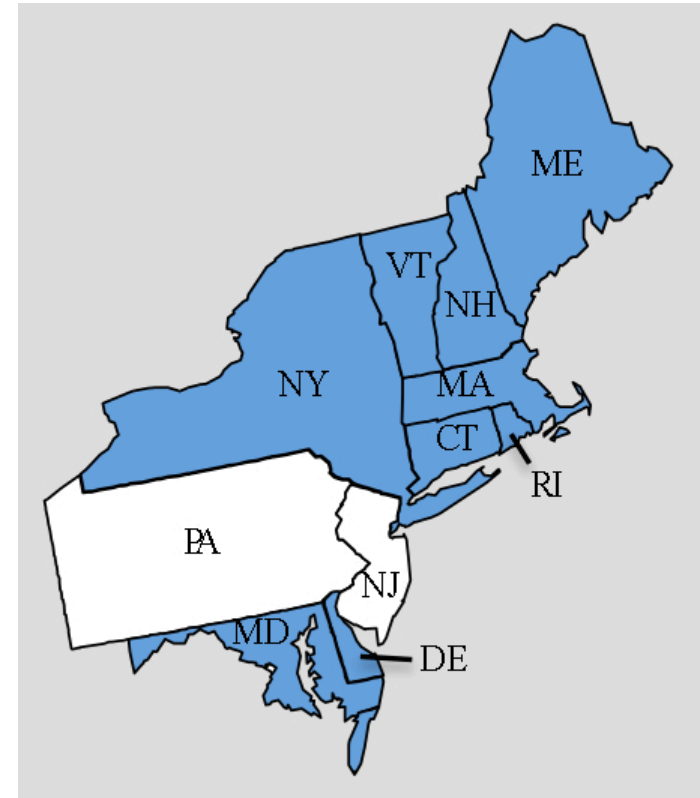
Climate Change Division

September 18, 2017



# RGGI Background

- Voluntary Program
- 9 States Participate
  - Composed of individual CO<sub>2</sub> Budget Trading Programs
- Carbon Cap on Power Plants
- Most allowances sold at auction
- Auction proceeds fund energy programs
- Maryland CO<sub>2</sub> Budget Trading Program contains four set-aside accounts





## COMAR 26.09.02.08

# Voluntary Renewable Set-Aside Account (VRSA)

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- Intent was to spur renewable energy development.
- Outlines a process for the retirement of CO<sub>2</sub> 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<sub>2</sub> 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

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- 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)**

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- 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

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- COMAR 26.09.01.02B(50-1) and (75-1)
- New Definitions:
  - “Early Applicant’ means an eligible CO<sub>2</sub> budget unit that commences operation prior to or on December 31, 2017.”
  - “Non-early Applicant’ means an eligible CO<sub>2</sub> budget unit that commences operation after December 31, 2017.”
- Differentiation is necessary to ensure existing CO<sub>2</sub> budget units that intend to participate in the CGSA receive CGSA CO<sub>2</sub> allowances included in their planned construction and budgeting.



# Proposed Changes to CGSA

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- **COMAR 26.09.02.09C**
- **Allocation of CO<sub>2</sub> Allowances to the CGSA:**
  - 1,875,199 CO<sub>2</sub> allowances for 2017
  - 1,687,679 CO<sub>2</sub> allowances for 2018
  - 1,500,159 CO<sub>2</sub> allowances for 2019
  - 1,312,639 CO<sub>2</sub> allowances for 2020
  - 1,125,119 CO<sub>2</sub> allowances for 2021
  - 937,599 CO<sub>2</sub> allowances for 2022
- **Allocation decreases annually by 10 percent (187,520 allowances) from 2017 allocation.**



# Proposed Changes to CGSA

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- COMAR 26.09.02.09D(2)
- Calculating Award of CO<sub>2</sub> Allowances for Early Applicants:
  - 468,800 CO<sub>2</sub> allowances for 2017
  - 421,920 CO<sub>2</sub> allowances for 2018
  - 375,040 CO<sub>2</sub> allowances for 2019
  - 328,160 CO<sub>2</sub> allowances for 2020
  - 281,280 CO<sub>2</sub> allowances for 2021
  - 234,400 CO<sub>2</sub> 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 CO<sub>2</sub> allowances, proportioned out based on the amounts requested by all Early Applicants.
  - E.g., if two Early Applicants request CO<sub>2</sub> allowances for a particular year, that year's award value will be proportioned evenly between the two Early Applicants.





# Proposed Changes to CGSA

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- COMAR 26.09.02.09D(3) and (4)
- Two possible scenarios are accounted for based on the number of CO<sub>2</sub> allowances allocated, guaranteed award to Early Applicants, and award to Non-early Applicants:
  - Calculating Award of CO<sub>2</sub> Allowances when Requests are Less than Allocation
  - Calculating Award of CO<sub>2</sub> Allowances when Requests are Greater than Allocation



# Proposed Changes to CGSA

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- COMAR 26.09.02.09D(3)(a) and (b)
- Calculating Award of CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> allowances will be awarded based on the number of CO<sub>2</sub> 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 CO<sub>2</sub> allowances requested by both Early Applicants and Non-Early Applicants does not exceed the number of remaining CO<sub>2</sub> allowances in the Clean Generation Set-aside Account, the remaining CO<sub>2</sub> allowances will be awarded based on the number of CO<sub>2</sub> 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

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- COMAR 26.09.02.09D(4)(a) and (b)
- Calculating Award of CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> allowances will be awarded in proportion to the number of CO<sub>2</sub> 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 CO<sub>2</sub> allowances requested by both Early Applicants and Non-early Applicants exceeds the number of remaining CO<sub>2</sub> allowances in the Clean Generation Set-aside Account, the remaining CO<sub>2</sub> allowances will be awarded in proportion to the number of CO<sub>2</sub> 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

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- 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.