



**HEARING REPORT**

**February 27, 2019**

**Prepared pursuant to section 4-168(d), and section 22a-200c of the Connecticut General Statutes regarding the Control of Carbon Dioxide Emissions/Carbon Dioxide Budget Trading Program**

**Hearing Officer:  
Kirsten S. P. Rigney  
Bureau of Energy and Technology Policy**

**Hearing Date:**

**December 17, 2018**

## SUMMARY OF PROCEEDING AND WRITTEN COMMENTS

On November 8, 2018, Robert Klee, then-Commissioner of Energy for the Department of Energy and Environmental Protection (“Department” or “DEEP”), published a notice of intent to amend section 22a-174-31 of the Regulations of Connecticut State Agencies (“R.C.S.A.”) known as the Control of Carbon Dioxide Emissions/Carbon Dioxide budget Trading Program. This regulation is being amended under the authority of sections 4-168 and 22a-200c of the Connecticut General Statutes (“C.G.S.”). Pursuant to such notice, a public hearing was held on December 17, 2018, at the New Britain offices of the Department, 10 Franklin Square, at 1 p.m. until all the oral comments had been heard. No individuals opted to provide oral comment at the hearing, so the hearing was concluded at 1:04 p.m. The 30-day public comment period for the proposed amended regulation closed on December 21, 2018, at 4:00 p.m. Two (2) letters of written comments were received.

### **I. Hearing Report Content**

As required by section 4-168(d) of the Connecticut General Statutes, this report describes the proposed amended regulation, identifies principal reasons in support of and in opposition to the proposal, and summarizes and responds to all comments on the proposed amended regulation. The comments are grouped by subsection, then subject matter, and are summarized and paraphrased to capture the substance of the comments.

### **II. Statement of Purpose**

Section 22a-200c of the Connecticut General Statutes requires the Department to adopt regulations to implement the Regional Greenhouse Gas Initiative (“RGGI”), a regional Carbon Dioxide (“CO<sub>2</sub>”) emissions cap and trade program between Connecticut and eight other Northeast and Mid-Atlantic states. The program is a market-based solution to reducing CO<sub>2</sub> emissions from the electricity generating sector. Section 22a-174-31 of the Regulations of Connecticut State Agencies implements Connecticut’s share of the regional program as required by section 22a-200c of the C.G.S. Pursuant to section 22a-174-31 of the R.C.S.A., Connecticut’s subject electric generators must obtain sufficient CO<sub>2</sub> allowances, which are initially offered in regional auctions, to equal their CO<sub>2</sub> emissions during each compliance period. In accordance with section 22a-200c(b) of the C.G.S. and section 22a-174-31 of the R.C.S.A., proceeds from the auction of Connecticut’s CO<sub>2</sub> allowances are invested in energy conservation, load management, and the development of sources of renewable energy in Connecticut through the Conservation and Load Management Plan and through the programs of the Connecticut Green Bank.

The proposed amendments reflect the conclusions of an intensive program review of RGGI conducted by the participating states and stakeholders in accordance with a RGGI Memorandum of Understanding, and completed in December of 2017. The program review sought to continue the goal of effectively reducing CO<sub>2</sub> emissions while providing benefits to consumers and the region, and to address the issue of overcapacity of allowances relative to actual emission levels in the region. In accordance with sections 22a-6, 22a-174, 22a-200 and 22a-200c of the C.G.S., the proposed amendments to section 22a-174-31 of the R.C.S.A. seek to update Connecticut’s CO<sub>2</sub> Budget Trading Program as follows:

- A further reduction to the CO<sub>2</sub> emissions cap to align the cap with current emission levels while accounting for allowances held by market participants in excess of the quantity needed to demonstrate compliance;
- Addressing the bank and retirement of allowances held by market participants with an interim adjustment for banked allowances that will be made over a 5-year period (2021-2025);
- Extension of the cost containment reserve ("CCR") of allowances, which provides flexibility and cost containment for the CO<sub>2</sub> Budget Trading Program; and
- Creation of the emission containment reserve ("ECR") of allowances, which will automatically align the cap with current emissions going forward to mitigate the need for bank adjustments going forward.

These amendments also reflect the conforming language changes required by Public Act 14-94 changing the name of the Clean Energy Finance and Investment Authority to the Connecticut Green Bank, as well as reducing the number of years from six to one for the Commissioner of DEEP to close dormant accounts, and increasing the time between the Commissioner's notification to the closing of the account from 20 to 30 days.

### III. Summary of Comments

Written comments were received from the following persons on behalf of their organizations:

1. Ruth Canovi  
American Lung Association in Connecticut  
45 Ash Street  
East Hartford, CT 06002  
[Ruth.Canovi@Lung.org](mailto:Ruth.Canovi@Lung.org)
2. Jordan Stutt  
Acadia Center, Environment Connecticut, Connecticut Fund for the Environment, Partnership for Policy Integrity, and Sierra Club  
31 Milk Street, Suite 501  
Boston, MA 02109-5128  
[jstutt@acadiacenter.org](mailto:jstutt@acadiacenter.org)

The comments received by the Hearing Officer were generally in favor of the overarching purposes of the proposed amendments, in particular the further tightening of the CO<sub>2</sub> emissions cap and the acceleration of the cap decline. The comments also contained recommendations to improve and further the goals of the RGGI program. Comments are more specifically addressed below.

## A. Comments in Support

### 1. Section 22a-174-31(f) CO<sub>2</sub> Allowance Allocations

The American Lung Association in Connecticut (ALAC) supports DEEP's ongoing efforts to advance climate policy in Connecticut to protect public health and secure a healthy future. Pertinently, ALAC encourages DEEP to move forward with the proposed amendments to tighten the CO<sub>2</sub> emissions cap and provide for proper program functionality in the coming decade. ALAC urges DEEP to advance strong programs that reduce CO<sub>2</sub> emissions from the energy sector. ALAC stresses that investments in energy efficiency and other carbon reduction programs must continue to achieve pollution benefits for all communities, especially to lower-income residents most vulnerable to existing pollution levels and the impacts of climate change.

Jointly, Acadia Center, Connecticut Fund for the Environment, Environment Connecticut, Partnership for Policy Integrity, and Sierra Club (together, the Organizations) commend the proposed extension of the CO<sub>2</sub> emissions cap and the acceleration of the cap decline. The Organizations further commend the larger step-down in the cap from 2020 to 2021, which effectively addresses the difference between a fixed cap decline and an annually diminishing cap decline from 2014 to 2020.

#### **DEEP Response:**

The Department thanks ALAC and the Organizations for their respective comments. As these comments are supportive of the proposed amended regulation as drafted, no changes are needed.

### 2. Section 22a-174-31(f)(2)(G) Third Adjustment for Banked Allowances

The Organizations have observed that a surplus of CO<sub>2</sub> allowances has newly accumulated since the last bank adjustment was performed to address surplus allowances from allocation years 2012 and 2013. Utilizing emissions and auction data from RGGI, Inc., the Organizations have calculated that from 2014 through 2017, the accumulated surplus amounts to 52 million allowances and is projected to increase to 67 million by year 2020. Therefore, they are pleased that the proposed amended regulation provides for the implementation of the third bank adjustment in 2021. They view the provision to carry out that adjustment over a five-year period (2021-2025) to be sufficiently gradual to avoid shocking the market.

#### **DEEP Response:**

The Department acknowledges the Organizations for their comments on the proposed provisions implementing the third bank adjustment. As these comments are supportive of the proposed amended regulation as drafted, no changes are needed.

### **3. Section 22a-174-31(f)(5) CO<sub>2</sub> allowance and CO<sub>2</sub> CCR and ECR allowance auctions**

The Organizations strongly support the inclusion of an emissions containment reserve (ECR) allowance mechanism as a result of the RGGI program review, and commend Connecticut's proposal to implement the ECR allowance mechanism in its CO<sub>2</sub> emissions budget trading program. The Organizations recommend that future program reviews explore larger ECR allowance sizes to potentially capture additional benefits. They express hope that Connecticut will work with other current and prospective RGGI states to achieve consistent implementation of the ECR allowance mechanism across all states participating in RGGI.

#### **DEEP Response:**

The Department thanks the Organizations for their comments on the proposed implementation of the ECR allowance mechanism. As these comments are supportive of the proposed amended regulation as drafted and do not seek any modification, no changes are needed.

#### **B. General Comments**

##### **1. Section 22a-174-31(i)(8) Monitoring and Reporting - CO<sub>2</sub> budget units that co-fire eligible biomass**

The Organizations highlight that Connecticut's 2018 Comprehensive Energy Strategy commits to phasing down the renewable energy certificate (REC) value of biomass in 2019, in order to prioritize development of new zero-carbon resources in New England. To support this goal, they recommend that Connecticut expand its CO<sub>2</sub> emissions budget trading program to include emissions from stand-alone biomass plants and to tighten restrictions on "eligible biomass." For the consideration of "eligible biomass", the Organizations urge adoption of New York's policy DAR-12 for determining whether certain sources of woody biomass fuels are "sustainably harvested".

#### **DEEP Response:**

Connecticut utilizes complementary policies and programs to achieve cost-effective emissions reduction from biomass facilities in the State, thus it is not necessary at this time to expand the RGGI program to include emissions from stand-alone biomass power plants.

#### **C. Non-substantive Technical Revisions**

DEEP has made non-substantive corrections and clarifications to the proposed amended regulation since its issuance on November 8, 2018. The changes include formatting and grammatical corrections, corrections to cross-references, and revisions for consistency and clarity. These technical revisions do not change the substantive requirements necessary to update Connecticut's CO<sub>2</sub> emissions Budget Trading Program to reflect the conclusions of the RGGI program review completed in December of 2017.

## 1. Term Correction - Section 22a-174-31(a) Definitions and Abbreviations

New text that defined the "CO<sub>2</sub> emission containment reserve allowance" had omitted the word "reserve". The text has been corrected accordingly.

**Section 22a-174-31(a):** (29) "CO<sub>2</sub> emission containment reserve allowance" or "CO<sub>2</sub> ECR allowance" means a CO<sub>2</sub> allowance that is withheld from sale at auction in accordance with subsection (f)(5)(H) of this section.

## 2. References to Green Bank

Initially, DEEP made certain amendments to reflect the conforming language changes required by Public Act 14-94 changing the name of Clean Energy Finance and Investment Authority (CEFIA) to the Green Bank. These references to Green Bank, in the sections identified below, have been further amended to properly reflect that authority's formal name, Connecticut Green Bank. Given the alphabetical order of the definitions and abbreviations, a new entry for "Connecticut Green Bank" has been added, and the entry for "Green Bank" has been deleted, as shown below.

**Section 22a-174-31(a):** (42) "Connecticut Green Bank" means the authority created by section 16-245n of the Connecticut General Statutes to administer the Clean Energy Fund.

**Section 22a-174-31(a):** ~~(57) "Green Bank" means the authority created by section 16-245n of the Connecticut General Statutes to administer the Clean Energy Fund.~~

**Section 22a-174-31(e)(6)(B):** Twenty-three (23) percent of proceeds from auctions, less any amount of revenue refunded pursuant to subsection (j) of this section, shall be transferred to an account held by [the Clean Energy Finance and Investment Authority] Connecticut Green Bank for the Clean Energy Fund. Proceeds are to be used to support the development of Class I renewable energy sources. The amount of proceeds to be transferred to CEF shall be determined based on the following criteria:

**Section 22a-174-31(e)(6)(C)(i)(IV):** In the event that there are any excess proceeds under this subparagraph after the distributions specified in subclause (I) to (III), inclusive, of this clause have been made, such excess proceeds shall be transferred to [CEFIA] Connecticut Green Bank pursuant to section 131 of Public Act 12-247 to be used to support energy efficiency programs, provided that the total amount of such proceeds transferred to [CEFIA] Connecticut Green Bank under this subdivision shall not exceed twenty-five million four hundred thousand (25,400,000) dollars, and further provided that such proceeds may be allocated to [CEFIA] Connecticut Green Bank on a pro-rated quarterly basis; and

DEEP has also reflected this change in the reference contained in the Statement of Purpose.

5. Other. These amendments also reflect the conforming language changes required by Public Act 14-94 changing the name of Clean Energy Finance and Investment Authority

(CEFIA) to Connecticut Green Bank. These amendments also reduce the number of years from six to one for the Commissioner of the Department of Energy and Environmental Protection to close dormant accounts. These amendments also increase the time from notification from the Commissioner to the closing of the account from 20 to 30 days. The legal effects of the proposed amendments are limited to the proposed changes described above.

### 3. Grammatical and Formatting Corrections - Section 22a-174-31(f)(1)

DEEP added subparagraphs (I) through (R), inclusive, to Section 22a-174-31(f)(1) to reflect declining Connecticut CO<sub>2</sub> Budget Trading Program Base Budgets determined for allocation years 2021 through 2030, inclusive. However, in doing so, the conjunction "and" was not properly relocated to the next-to-last subparagraph, and incorrect punctuation was used in some instances. Accordingly, the following subparagraphs have been further amended to correct those typographical and punctuation errors.

**Section 22a-174-31(f)(1):** (G) for the 2019 allocation year, the Connecticut CO<sub>2</sub> Budget Trading Program Base Budget is 5,191,324 tons; [and]

(H) For the 2020 allocation year [and each succeeding allocation year], the Connecticut CO<sub>2</sub> Budget Trading Program Base Budget is 5,061,540 tons[.];

(I) For the 2021 allocation year, the Connecticut CO<sub>2</sub> Budget Trading Program Base Budget is 4,860,813 tons;

(J) For the 2022 allocation year, the Connecticut CO<sub>2</sub> Budget Trading Program Base Budget is 4,713,516 tons;

(K) For the 2023 allocation year, the Connecticut CO<sub>2</sub> Budget Trading Program Base Budget is 4,566,218 tons;

(L) For the 2024 allocation year, the Connecticut CO<sub>2</sub> Budget Trading Program Base Budget is 4,418,921 tons;

(M) For the 2025 allocation year, the Connecticut CO<sub>2</sub> Budget Trading Program Base Budget is 4,271,624 tons;

(N) For the 2026 allocation year, the Connecticut CO<sub>2</sub> Budget Trading Program Base Budget is 4,124,326 tons;

(O) For the 2027 allocation year, the Connecticut CO<sub>2</sub> Budget Trading Program Base Budget is 3,977,029 tons;

(P) For the 2028 allocation year, the Connecticut CO<sub>2</sub> Budget Trading Program Base Budget is 3,829,731 tons;

(Q) For the 2029 allocation year, the Connecticut CO<sub>2</sub> Budget Trading Program Base Budget is 3,682,434 tons; and

(R) For the 2030 allocation year and each succeeding allocation year, the Connecticut CO<sub>2</sub> Budget Trading Program Base Budget is 3,535,137 tons.

### 4. Grammatical, Formatting, and Cross-reference Corrections - Section 22a-174-31(f)(2)

DEEP added subclauses (II) through (XI), inclusive, to Section 22a-174-31(f)(2)(A)(ii) to reflect declining CO<sub>2</sub> Cost Containment Reserve (CCR) allowances determined for calendar years 2021 through 2030, inclusive. However, in doing so, the conjunction "and" was missing from the end of the next-to-last subclause, and a semi-colon, rather than a period, punctuated the end of the

last subclause. Accordingly, subclauses (X) and (XI) have been further amended to correct those typographical and punctuation errors.

**Section 22a-174-31(f)(2)(A)(ii):** (X) On or before January 1, 2029, the commissioner shall allocate CO<sub>2</sub> CCR allowances in an amount equal to 368,243, less the number of CO<sub>2</sub> CCR allowances that remain in the Connecticut Auction Account at the end of the prior calendar year; and  
 (XI) On or before January 1, 2030 and each year thereafter, the commissioner shall allocate CO<sub>2</sub> CCR allowances in an amount equal to 353,513, less the number of CO<sub>2</sub> CCR allowances that remain in the Connecticut Auction Account at the end of the prior calendar year[;].

Also, punctuations in Section 22a-174-31(f)(2)(B) have similarly been corrected for consistency. The conjunction "and" has been added to the end of clause (ix), and the word "calendar" has been inserted before the word "year" in clause (x). More notably, clauses (i) through (x), inclusive, contain incorrect cross-references to "paragraph H of this section". These references have been amended to "(f)(5)(H) of this section."

**Section 22a-174-31(f)(2)(B):** Emissions Containment Reserve (ECR) Withholding. The Commissioner shall convert and transfer any CO<sub>2</sub> allowances that have been withheld from any auctions(s) into the Connecticut ECR Account. The commissioner shall withhold CO<sub>2</sub> ECR allowances in the following manner:

- (i) On or before January 1, 2021, if the condition in (f)(5)(H) of this section is met at an auction, then the maximum number of CO<sub>2</sub> ECR allowances that will be withheld from that auction will be equal to 486,081 minus the total quantity of CO<sub>2</sub> ECR allowances that have been withheld from any prior auction(s) in that calendar year;
- (ii) On or before January 1, 2022, if the condition in (f)(5)(H) of this section is met at an auction, then the maximum number of CO<sub>2</sub> ECR allowances that will be withheld from that auction will be equal to 471,351 minus the total quantity of CO<sub>2</sub> ECR allowances that have been withheld from any prior auction(s) in that calendar year;
- (iii) On or before January 1, 2023, if the condition in (f)(5)(H) of this section is met at an auction, then the maximum number of CO<sub>2</sub> ECR allowances that will be withheld from that auction will be equal to 456,621 minus the total quantity of CO<sub>2</sub> ECR allowances that have been withheld from any prior auction(s) in that calendar year;
- (iv) On or before January 1, 2024, if the condition in (f)(5)(H) of this section is met at an auction, then the maximum number of CO<sub>2</sub> ECR allowances that will be withheld from that auction will be equal to 441,892 minus the total quantity of CO<sub>2</sub> ECR allowances that have been withheld from any prior auction(s) in that calendar year;
- (v) On or before January 1, 2025, if the condition in (f)(5)(H) of this section is met at an auction, then the maximum number of CO<sub>2</sub> ECR allowances that will be withheld from that auction will be equal to 427,162 minus the total quantity of CO<sub>2</sub> ECR allowances that have been withheld from any prior auction(s) in that calendar year;
- (vi) On or before January 1, 2026, if the condition in (f)(5)(H) of this section is met at an auction, then the maximum number of CO<sub>2</sub> ECR allowances that will be withheld from that auction will be equal to 412,432 minus the total quantity of CO<sub>2</sub> ECR allowances that have been withheld from any prior auction(s) in that calendar year;

(vii) On or before January 1, 2027, if the condition in (f)(5)(H) of this section is met at an auction, then the maximum number of CO<sub>2</sub> ECR allowances that will be withheld from that auction will be equal to 397,702 minus the total quantity of CO<sub>2</sub> ECR allowances that have been withheld from any prior auction(s) in that calendar year;

(viii) On or before January 1, 2028, if the condition in (f)(5)(H) of this section is met at an auction, then the maximum number of CO<sub>2</sub> ECR allowances that will be withheld from that auction will be equal to 382,973 minus the total quantity of CO<sub>2</sub> ECR allowances that have been withheld from any prior auction(s) in that calendar year;

(ix) On or before January 1, 2029, if the condition in (f)(5)(H) of this section is met at an auction, then the maximum number of CO<sub>2</sub> ECR allowances that will be withheld from that auction will be equal to 368,243 minus the total quantity of CO<sub>2</sub> ECR allowances that have been withheld from any prior auction(s) in that calendar year; and

(x) On or before January 1, 2030 and each calendar year thereafter, if the condition in (f)(5)(H) of this section is met at an auction, then the maximum number of CO<sub>2</sub> ECR allowances that will be withheld from that auction will be equal to 353,513 minus the total quantity of CO<sub>2</sub> ECR allowances that have been withheld from any prior auction(s) in that calendar year.

#### **5. Existing Text Incorrectly Identified as New, and Duplicate Text - Section 22a-174-31(f)(2)(C)**

In clause (iii) of Section 22a-174-31(f)(2)(C) of the proposed amended regulation, DEEP incorrectly underlined existing text, and duplicated that same text in the clause (ii). Accordingly, consistent with similar text in clause (iii) and (iv) of Section 22a-174-31(f)(2)(D), the existing text in clause (iii) of Section 22a-174-31(f)(2)(C) is no longer underlined as new text, and the duplicate text in clause (ii) has been deleted, which is shown below ~~erossed through~~.

**Section 22a-174-31(f)(2)(C):** (ii)  $F_{CPA}$  is the total quantity of allocation year 2009, 2010, and 2011 CO<sub>2</sub> allowances held in general and compliance accounts, including compliance accounts established pursuant to the CO<sub>2</sub> Budget Trading Program, but not including accounts opened by participating states, as reflected in COATS on January 1, 2014. ~~(10,695,036/165,000,000) is the Connecticut proportional share of the regional emissions CO<sub>2</sub> emissions cap.~~

(iii) (10,695,036/165,000,000) is the Connecticut proportional share of the regional emissions CO<sub>2</sub> emissions cap.

#### **6. Additional Text to Allocate Allowances from the CO<sub>2</sub> Budget Trading Program Base Budget for Annual CO<sub>2</sub> Allowance Calculations Beyond 2025 - Section 22a-174-31(f)(4)(A)**

The proposed amended regulation includes new provisions whereby the third adjustment for banked allowances would factor into calculations of Connecticut's CO<sub>2</sub> Budget Trading Program Adjusted Budget for the allocation years 2021 through 2025, inclusive. Since these provisions apply only through allocation year 2025, DEEP has amended Section 22a-174-31(f)(4)(A) to allow allocation from the CO<sub>2</sub> Budget Trading Program Base Budget for the annual allocation of CO<sub>2</sub> allowances beyond 2025.

**Section 22a-174-31(f)(4)(A):** In accordance with the timing provisions of subdivision (3) of this subsection, the commissioner shall allocate each annual Connecticut CO<sub>2</sub> Budget Trading Program Adjusted Budget or CO<sub>2</sub> Budget Trading Program Base Budget, as applicable, as follows:

- (i) One and one-half (1.5) percent to the Voluntary Clean Energy Purchase Set-aside Account;
- (ii) One and one-half (1.5) percent to the Customer-side Distributed Resources (CDR) Set-aside Account;
- (iii) One and one-half (1.5) percent to the Combined Heat and Power (CHP) Useful Thermal Energy Set-aside Account; and
- (iv) Ninety-five and one-half (95.5) percent shall be allocated to the Connecticut Auction Account;

### **7. Grammatical and Formatting Corrections and Additional Text - Section 22a-174-31(f)(5)(E)**

Due to the new addition of clause (vi) to Section 22a-174-31(f)(5)(E), the conjunction "and" has been moved to the end of clause (v). Also, "per CO<sub>2</sub> allowance" has been added to clause (vi) after the price, and the last sentence is punctuated with a period instead of a semi-colon.

**Section 22a-174-31(f)(5)(E):** CO<sub>2</sub> CCR allowances shall only be sold at auction when the total demand for CO<sub>2</sub> allowances exceeds the number of CO<sub>2</sub> allowances available for purchase at the auction at a price above the following CCR trigger price:

- (i) \$4.00 per CO<sub>2</sub> allowance for calendar year 2014;
- (ii) \$6.00 per CO<sub>2</sub> allowance in calendar year 2015;
- (iii) \$8.00 per CO<sub>2</sub> allowance in calendar year 2016;
- (iv) \$10.00 per CO<sub>2</sub> allowance in calendar year 2017; [and]
- (v) Beginning on January 1, 2018 and January 1 of each calendar year thereafter through 2020, the CCR trigger price shall increase by 2.5% per year and be rounded to the nearest whole cent; and
- (vi) The CCR trigger price in calendar year 2021 shall be \$13.00 per CO<sub>2</sub> allowance. Each calendar year thereafter, the CCR trigger price shall increase by 7.0% per year and be rounded to the nearest whole cent.

### **8. Formatting Correction - Section 22a-174-31(f)(5)(H)**

DEEP has punctuated the end of Section 22a-174-31(f)(5)(H) with a semi-colon.

**22a-174-31(f)(5)(H):** CO<sub>2</sub> ECR allowances shall be withheld in accordance with the provisions specified in subparagraphs (I) - (K), inclusive, of this subdivision;

### **9. Grammatical and Formatting Corrections in Statement of Purpose**

In the first sentence of the first paragraph, "the" has been inserted before "regulation". In the second paragraph, the use of the term "carbon dioxide" was deleted in favor of the acronym "CO<sub>2</sub>". That deletion is shown crossed through below. Additionally, the use of the word "are" is corrected with "is".

In #2 of the summary of amendments, DEEP incorrectly identified 2020-2025 as the 5-year period for carrying out the interim adjustment for banked allowances. DEEP has corrected the 5-year period as 2021-2025. Also, all instances of "CO2" have been corrected to "CO<sub>2</sub>". Moreover, all references to the Budget Trading Program or Programs have been amended to consistently refer to the "CO<sub>2</sub> emissions Budget Trading Program" or "CO<sub>2</sub> emissions Budget Trading Programs", as appropriate. Lastly, the entire statement of purpose has been underlined to properly denote it as new text.

### **Statement of Purpose**

These amendments to the regulation are being requested by the Department of Energy and Environmental Protection (DEEP) to coincide with the efforts undertaken by the nine Regional Greenhouse Gas Initiative (RGGI) Northeast and Mid-Atlantic states, including Connecticut, to update their respective carbon dioxide (CO<sub>2</sub>) emissions Budget Trading Programs which regulate and reduce CO<sub>2</sub> emissions from the power sector. In accordance with a RGGI Memorandum of Understanding, the participating States conducted a program review of the CO<sub>2</sub> emissions Budget Trading Programs. This program review lowered the cap of regional allowances that can be offered at auction to address the excess of allowances in the market relative to actual emission levels in the region. The participating States have been working with program review stakeholders since 2015, convening over twelve stakeholder meetings, webinars and learning sessions. The program review has sought to continue the goal of effectively reducing CO<sub>2</sub> emissions while providing benefits to consumers and the region and to address the issue of overcapacity of allowances relative to actual emission levels in the region. A summary of the amendments DEEP is proposing to update its ~~carbon dioxide~~ CO<sub>2</sub> emissions Budget Trading Program is as follows:

1. Revised Regional Cap. Connecticut will lower its CO<sub>2</sub> emissions cap to align the cap with current emissions levels while accounting for allowances held by market participants in excess of the quantity needed to demonstrate compliance.
2. Connecticut will address the bank and retirement of allowances held by market participants with an interim adjustment for banked allowances. The adjustment will be made over a 5-year period (2021-2025).
3. Extension of the cost containment reserve (CCR) provides flexibility and cost containment for the CO<sub>2</sub> emissions Budget Trading Program. The CCR is a reserved quantity of allowances, in addition to the cap, that would only be available if defined allowance price triggers are exceeded. These allowances provided within the CCR will be equal to 10 percent of Connecticut's allocation of CO<sub>2</sub> allowances.
4. Creation of the emission containment reserve (ECR) to automatically align the cap with current emissions going forward to mitigate the need for bank adjustments going forward. The ECR is a quantity of allowances that will be withheld from the auction if the price of allowances in an auction fall below a defined allowance price trigger. These allowances provided within the ECR will be equal to 10 percent of Connecticut's allocation of CO<sub>2</sub> allowances.
5. Other. These amendments also reflect the conforming language changes required by Public Act 14-94 changing the name of Clean Energy Finance and Investment Authority (CEFIA) to the Connecticut Green Bank. These amendments also reduce the number of

years from six to one for the Commissioner of the Department of Energy and Environmental Protection to close dormant accounts. These amendments also increase the time from notification from the Commissioner to the closing of the account from 20 to 30 days. The legal effects of the proposed amendments are limited to the proposed changes described above.

#### **IV. Conclusion**

Based upon the comments addressed in this Hearing Report, I recommend the proposed amended regulation be revised as recommended herein and that the final amended regulation be submitted by the Commissioner for approval by the Attorney General and the Legislative Regulations Review Committee and upon adoption, be submitted to the Secretary of State's Office for posting on the eRegulations System.



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Kirsten S. P. Rigney  
Hearing Officer

February 27, 2019  
Date