



**Testimony for House Environmental Resources and Energy Committee:  
“Climate and CO<sub>2</sub>” Hearing  
June 22, 2021**

Chairman Metcalfe, Chairman Vitali, and members of the Environmental Resources and Energy Committee, thank you for inviting me to testify today and for providing the opportunity to share information about the Regional Greenhouse Gas Initiative, otherwise known as RGGI.

I am Andrew McKeon, Executive Director of RGGI, Inc. I have a few PowerPoint slides prepared, and I will begin by describing RGGI, Inc., the nonprofit organization that I lead, and sharing information on how it **supports eleven states in implementing their individual CO<sub>2</sub> Budget Trading Programs**. After describing the role of RGGI, Inc., I will move on to outline what exactly RGGI is and how it works. I will also provide information about some of the benefits that participating states have seen over the last decade-plus of participation.

***What is RGGI, Inc.?***

RGGI, Inc. is a 501(c)3 not-for-profit that provides technical and administrative services to the eleven RGGI participating states.

The technical and administrative services provided by RGGI, Inc. include **administering the quarterly regional RGGI CO<sub>2</sub> allowance auctions, hosting a registry system to track CO<sub>2</sub> emissions and state-originated RGGI allowances, securing and managing the independent monitoring of the RGGI market to maintain market openness, transparency and stability, and facilitating discussions amongst the states**.

RGGI, Inc. **does not make policy decisions and does not have any independent authority**. Rather, RGGI, Inc. works entirely **in service of and at the direction of the states**. Our role is to serve as a **resource and a facilitator** for the states, overseeing auction execution, allowance tracking and market monitoring, while also supporting the states in their communication with one another. But RGGI Inc. has no role in developing or shaping policy.

***What RGGI is Not***

Sometimes the clearest way of understanding what something is, is by knowing what it is not., and I think this especially holds true for RGGI.

First, and most importantly, RGGI is **not a program; it is not a compact; there is no centralized authority**. It is in fact an effort of **eleven individual, sovereign states** working in concert to achieve the



most cost-effective carbon reductions for themselves. This distinction is not semantical but very real, and is reflected in how RGGI operates, with individual states crafting and executing their own regulations.

Second, RGGI **does not impose a “carbon tax.”** In developing RGGI, the participating states have sought to use market forces to internalize a market externality – revealing a price **signal for carbon emissions from the electricity sector to address a cost that is real, present and indeed growing.**

Third, there is no “joining RGGI.” And people often say that as a short-hand; but the fact is that states and jurisdictions don’t “join.” States interested in RGGI **develop their own independent regulation that enable their state to participate in a common regional auction and gain access to other technical services.**

Next, RGGI **does not operate on a “majority rule” basis.** All shared decisions are arrived at **by consensus, and no state is compelled by a majority of other states to take an action with which it disagrees.** Only if all states agree on an action do they move forward together. There’s this old proverb, if you want to go fast, go alone, but if you want to go far, go together. That’s the benefit of consensus – going far together. And RGGI has shown how a group of diverse independent jurisdictions through consensus can go far together.

And finally, RGGI is not imposed; each participating state **maintains its participation of its own volition**—any state can choose to begin or cease participation based on its own circumstances and policy preferences.

### ***What Is RGGI?***

So now that I’ve shared some thoughts on what RGGI isn’t, I’ll talk a bit more about what it is, **and how it works.**

RGGI is a **cooperative effort** among currently 11 states, with the shared aim of **capping and reducing CO<sub>2</sub> emissions from the power sector:** Those states include: Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont; plus in 2020 we saw NJ resume participation after an 8-year gap, and this year Virginia initiated participation.

These states seek to reduce **power sector CO<sub>2</sub> emissions** in order to **internalize the environmental and social costs being** borne by the public.

RGGI is a **bi-partisan initiative, rooted in science and free-market economics.** The story of the start of RGGI goes back to the early 2000s when a group of neighboring states, recognizing the scientific evidence behind climate change, agreed to coordinate their own individual efforts and use market-based



forces to address this problem. Both Democrats and Republicans have been in positions of leadership in RGGI, and that bi-partisanship continues today – something we are very proud of at RGGI and see as a model for collaborative engagement writ-large.

Each RGGI participating state has individually decided to develop compatible state regulations so that they may **work together, access shared resources, share best practices, and move forward together** to address climate change, a challenge that is best tackled through a collective approach that **draws upon each state’s strengths and experiences.**

The RGGI participating states have chosen a **regional approach** for technical reasons that accrue benefits to all participating states. A regional effort is intrinsically aligned with the regional nature of the electric grid—as power moves across state lines. A regional approach to emissions reductions is more cost-effective as independent experts have affirmed.

Also, participation in a regional auction as the primary means for distributing RGGI allowances, not only reflects core free-market economics, but also enables effective price discovery and efficient and lowest cost carbon reductions. And a having a regional auction creates ease of access for market participants in the RGGI states.

While RGGI participating states have opted to develop compatible regulations and participate in a regional auction format, **each state maintains complete sovereignty and controls every aspect of RGGI implementation in their state** – including how they spend the proceeds generated from the RGGI allowance auctions.

### ***RGGI Participation***

The RGGI states **recognize the benefits of a broader market with more participants**, as larger markets increase economic efficiency and cost-effectiveness, as well as contribute further to the environmental and public health benefits already realized by the current participating states.

The RGGI states are always open to states considering a path to participation. **However, while current participating states have found RGGI to be a powerful tool in meeting their policy and climate goals, participation by PA is of course only PA’s decision to make.**

What we can provide is information on what other states have experienced over RGGI’s decade-plus of implementation, including some of the benefits linked to RGGI implementation.

- As we noted, states have **full jurisdiction over how to spend their auction proceeds.**



- Through 2018, **the RGGI states have invested over \$2.5 billion** of RGGI proceeds in energy efficiency, clean and renewable energy, and support for low-income bill assistance programs, as well as other programs to **support communities across the RGGI region**.
- Of course, if PA were to participate in RGGI, it would decide how to spend its auction proceeds, based solely on the state's own priorities and understanding of how to best strengthen PA communities.
  
- Independent researchers have also published reports on the health benefits of RGGI participation, finding that the RGGI states' transition to a cleaner energy infrastructure is **saving lives, protecting the health of children, and reducing health-related costs to society**.
  
- Additional independent reports have found that RGGI is **creating jobs and generating significant economic benefits**. Reports on RGGI's first, second, and third control periods have found that **total net economic benefits in the region are on the order of \$4 billion**. **It should be noted that RGGI is not an economic development effort – but rather an emissions reduction effort; but the results have shown significant economic benefit to the economy and communities**.
  
- We would also note that since RGGI launched, **average electricity bills in the region, including commercial, industrial, and residential, have declined much faster in the RGGI region than in the US as a whole**, supported by investments in energy efficiency.

*Thank You!*

Over the course of more than a decade of significant social, economic and political change, we have seen the RGGI states **embody a constancy of purpose in reducing CO<sub>2</sub> emissions, while maintaining grid reliability, realizing great economic and health benefits, and reducing costs to consumers**.

So, thank you again for the invitation to testify today. I hope I have helped you in your understanding of RGGI and would welcome any questions you may have.



# Overview of the Regional Greenhouse Gas Initiative (RGGI)

June 22, 2021

**Andrew McKeon**

Executive Director, RGGI, Inc.

# RGGI, Inc.

*Provides RGGI participating states with **technical & administrative services** to support implementation of individual state CO<sub>2</sub> Budget Trading Programs*

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- 501(c)3 Not-for-Profit
- Services Provided:
  - Auction administration
  - Emissions & allowance tracking
  - Market monitoring
  - Facilitation

# What RGGI Is Not

- Not a "program"
  - Individual, sovereign state programs working in concert
- Not a carbon tax
  - Market price signal
- States do not join RGGI
  - Independent regulations to participate in regional auction & access common services
- No "majority rule"
  - Consensus-based approach decision-making
- Not imposed
  - States participate or exit of their own volition

# What RGGI Is

- Cooperative effort to reduce CO<sub>2</sub> emissions from the power sector
- Bi-partisan/science-based/free-market approach
- Individual state programs that benefit from regional approach
  - Regional Auction
- State sovereignty over implementation and investment of proceeds

# RGGI Participation

- RGGI and Pennsylvania
- States have full jurisdiction over auction proceeds
  - Over \$2.5 billion reinvested
- RGGI Benefits – Independent Research
  - Lives saved and children's health improved
  - Job creation
  - \$4 billion in net economic benefits through 2018
  - Reduced electricity bills



# Thank you

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