# E2Tech – A Convenient Forum on Climate Change & RGGI

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Portland, ME, December 8, 2016

Exelon®

# RGGI Review

- States participating in RGGI have reduced power sector $CO_2$ emissions more than 40% since 2005
- RGGI is a credible, multi-state $CO_2$ compact that is recognized worldwide
- RGGI states are considering potential cap reductions beginning in 2021
- Cap reductions would continue on a trajectory until 2030
- Other program design elements may be modified, including:
  - Potential changes to banked allowances
  - Adjustments to cost containment reserves
  - Introduction of other program elements

# Exelon Commitment to RGGI

- Exelon supports adapting the existing RGGI program and market to enable RGGI states to satisfy their climate policies
- Within the RGGI states, Exelon Generation operates more than 8,600 MW of generation capacity producing some 38,100 GWh of electricity annually.
- More than half of Exelon's RGGI capacity and 95% of its RGGI generation are carbon-free nuclear, hydroelectric, wind and solar.
- Exelon-owned nuclear assets in RGGI represent 20% of the nuclear generation in RGGI states.

# The Nuclear Contribution

- In 2014, RGGI states' thirteen nuclear units at nine nuclear plants generated 32 percent of RGGI state electricity and 70 percent of RGGI state zero-carbon electricity.
- RGGI states' nine nuclear plants annually prevented over 59 million tons of CO2 emissions as well as nearly 66,000 tons of sulfur dioxide emissions and 46,000 tons of nitrogen oxide emissions.
- Market mechanisms to properly value the carbon-free emissions and other attributes of nuclear generation are an essential element of implementing the Clean Power Plan and of helping retain large sources of carbon-free energy for many years to come.

# Stringency

- RGGI may consider more stringent goals than the minimum requirements of the Clean Power Plan, including the goal of achieving 80% reductions from 1990 levels by 2050.
- RGGI should also consider increasing the auction minimum reserve price.
- Pre-2022 banked allowances could impede achievement of post-2022 reductions, so RGGI should ensure that those allowances are exhausted before 2022 or make offsetting downward adjustments to the state goals beginning in 2022.
- In this transition, RGGI should be careful to ensure that the value of existing banked allowances is preserved.

# Cost Containment Reserve and Offsets

- These mechanisms should not be retained as part of the program review.
- Post 2021 liquidity should be easily sufficient and banked allowances will be available from 2018 to 2021.
- With respect to offsets, if RGGI retains them, then RGGI must make adjustments to ensure that the states meet their emission goals even including allowances credited to offsets.

# Emissions Containment Reserve

- New concept proposed by RGGI in November 2016
- ECR is designed to increase supply if costs are above a ceiling trigger and decrease supply if costs are below a floor trigger.
- Effect of ECR is to produce a soft price floor and cap.
- Unlike CCR an ECR is symmetrical and will make the cap more stringent if costs are lower than expected.
- ECR should reduce the need for future bank adjustments.

# Cross Border Issues

- Larger markets with more liquidity are generally more efficient, and RGGI should look to broaden the market by allowing additional states to join the RGGI MOU.
- RGGI must ensure its goals are not undermined through leakage from import/export activity with non-RGGI states and provinces.
- RGGI provides an established and well-functioning platform for meeting state carbon reduction goals and is more likely to produce an efficient outcome than contract based resource planning approaches.

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