New York's RGGI-Funded Programs

Status Report
Quarter Ending September 30, 2009

January 2010

New York State
Energy Research and
Development Authority

1 Introduction

To implement the Regional Greenhouse Gas Initiative (RGGI), New York State has established its CO_2 Budget Trading Program through regulations promulgated by the Department of Environmental Conservation (DEC) and the CO_2 Allowance Auction Program through regulations promulgated by New York State Energy Research and Development Authority (NYSERDA).[1] On April 27, 2009, the NYSERDA Board of Directors approved the "Operating Plan for Investments in New York under the CO_2 Budget Trading Program and the CO_2 Allowance Auction Program" (Operating Plan), providing the budgets and descriptions for the programs that will be funded by the RGGI auction proceeds. This report is prepared pursuant to the approved Operating Plan and provides an update on the progress of programs through the quarter ending September 30, 2009. It contains an accounting of program spending, an estimate of program benefits, and a summary description of program activities and implementation.

NYSERDA has initiated program activity through the launch of the Water and Wastewater Efficiency Program, and plans to continue support of this activity into 2010. This program activity is designed to capture the existing opportunity to leverage Federal Economic Recovery funds that have been allocated to the municipal sector. Expenditure of other RGGI proceeds was suspended pending the resolution of litigation regarding the program's regulations.

On October 13, 2009, Governor David A. Paterson signed the Green Jobs/Green New York Act, establishing a $112 million program that will create green jobs and stimulate investment in weatherization and energy efficiency improvements for residential and commercial buildings.[2] The Green Jobs/Green New York Act[3] directs NYSERDA to establish a green jobs training program and a revolving loan fund to retrofit homes to conserve energy. Loans will be capped at $13,000 for residential and $26,000 for commercial properties. The program will target middleclass homeowners and small businesses that will pay back the loan using money saved on their energy bills. The job training component will provide training opportunities to new entrants into the workforce and displaced workers. The training programs, education efforts, and efficiency program will be implemented through a competitive procurement process available to community-based organizations. NYSERDA is directed to use RGGI auction proceeds to fund the $112 million program.

On December 4, 2009, New York State enacted numerous deficit reduction measures that included the transfer of $90 million in RGGI auction proceeds to the General Fund. These actions were taken to improve New York's long-term fiscal health.

The Operating Plan is currently under review and a six-month update is expected to be released in early 2010. The update will reflect the reallocation of funding described above and adjustments to auction revenue estimates.

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[1] For the DEC adopted regulations: See 6 NYCRR Part 242: CO_2 Budget Trading Program Regulations; for the NYSERDA adopted regulations, see 21 NYCRR Part 507: CO_2 Allowance Auction Program Regulations.
[2] See: http://www.state.ny.us/governor/press/press_1013091.html
[3] A.8901/S.5888 and chapter amendment A.9031/S.6032.

1.1 New York's Auction Proceeds[4]

As of September 30, 2009, New York State has participated in all of the RGGI auctions and has offered allowances for sale during the last four. A total of 50,897,175 New York CO_2 allowances have been auctioned, generating $155,299,078.17 in proceeds. Detailed auction results are presented as Table 1.1.

Table 1.1. New York State's RGGI Auction Results[5]

Auction Date	Allowance Vintage	Clearing Price	New York State Allowances Auctioned	New York State Auction Proceeds
12/17/08	2009	$3.38	12,422,161	$41,986,904.18
3/18/09	2009	$3.51	12,422,161	$43,601,785.11
	2012	$3.05	776,385	$2,367,974.25
6/17/09	2009	$3.23	11,861,849	$38,313,772.27
	2012	$2.06	776,385	$1,599,353.10
9/09/09	2009	$2.19	11,861,849	$25,977,449.31
	2012	$1.87	776,385	$1,451,839.95
		TOTAL	**50,897,175**	**$155,299,078.17**

Source: RGGI Inc.

[4] See http://www.rggi.org/docs/NY_Proceeds_by_Auction.pdf for more auction result details.

[5] New York did not offer allowances for sale in the RGGI auction held on 9/25/08, where the clearing price for 2009 vintage allowances was $3.07.

2 Budget and Spending Status

This section presents financial data for the approved programs through September 30, 2009. Assuming a $607 million[6], three-year revenue estimate described in the Operating Plan, approximately $525 million would be available for the following five major program areas: Residential/Commercial/Industrial/ Municipal; Transportation; Electric Power Supply and Delivery; Sustainable Agriculture and Bioenergy; and Multi-Sector. Anticipated available funding levels along with approved budgets, contract commitments, and spending are presented in Table 2.1.

[6] The $607 million estimate was based on the value of the projected auction proceeds from the fourth quarter of calendar year 2008 through the first quarter of calendar year 2012. For a more detailed explanation, refer to the Operating Plan.

Table 2.1. Anticipated Available Funding and Financial Status through September 30, 2009 ($ million)

	Total Three-Year Anticipated Available Funding	Year-1 Budget [a]	Contract Commitments [b]	Funds Spent
Residential/Commercial/Industrial/Municipal				
Residential Space and Water Heating Efficiency	84.0	23.4	-	-
Commercial, Industrial, Municipal and Institutional [c]	125.0	43.9	1.14	0.13
Climate Smart Communities	6.6	2.2	-	-
Advanced Building Systems and Industrial Process	15.0	0.8	-	-
Total Residential/Commercial/Industrial/Municipal	**230.6**	**70.3**	**1.14**	**0.13**
Transportation				
Transportation Efficiency	34.0	9.0	-	-
Electrified Rail Efficiency	44.0	12.0	-	-
Advanced Transportation Development	15.0	4.0	-	-
Total Transportation	**93 .0**	**25.0**	**-**	**-**
Electric Power Supply and Delivery				
Statewide Photovoltaic Initiative	32.4	10.8	-	-
Advanced Power Technology	71.0	4.3	-	-
Total Electric Power Supply and Delivery	**103.4**	**15.1**	**-**	**-**
Sustainable Agriculture and Bioenergy				
Sustainable Agriculture and Bioenergy Program	10 .0	1.3	-	-
Total Sustainable Agriculture and Bioenergy	**10.0**	**1.3**	**-**	**-**
Multi-Sector				
Workforce Development	9.0	3.0	-	-
Competitive Greenhouse Gas Reduction	41.0	-	-	-
Clean Technology and Industrial Development	29.0	3.2	-	-
Climate Research and Analysis	9.0	3.0	-	-
Total Multi-Sector	**88.0**	**9.2**	**-**	**-**
Other Costs				
Program Administration [d]	42.5	16.3	1.1	1.1
Metrics and Evaluation [d]	30.4	11.7	0.0	0.0
RGGI Inc. Costs [e]	5.8	3.8	1.1	0.93
New York State Cost Recovery Fee [d]	3.6	1.4	0.016	0.016
Other Costs Total	**82.3**	**33.2**	**2.2**	**2.0**
PROGRAM AREA TOTAL (TOTAL excluding Other Costs)	**525.0**	**120.8**	**1.14**	**0.13**
TOTAL	**607.3**	**154.0**	**3.34**	**2.13**

[a] Year-1 Budget reflects the funds that were approved by the NYSERDA Board on April 27, 2009.
[b] 'Contract Commitments' presents the total cumulative encumbrances, which are funds that have either been spent or legally obligated.
[c] As discussed in Section 1, spending authorization has been granted only for the Commercial, Industrial, Municipal, and Institutional Water and Wastewater Efficiency Program.
[d] Program Administration, Metrics and Evaluation, and New York State Cost Recovery respectively represent 5, 7, and 0.6 percent of the revenue-based annual anticipated available funding.
[e] The first year budget includes $3 million for RGGI Inc. Start-up Costs. RGGI Inc. is a non-profit corporation created to support development and implementation of the CO_2 Budget Trading Program.
Totals may not sum exactly due to rounding.
Source: NYSERDA

3 Summary of Program Benefits

Table 3.1 shows the metrics that will be presented in subsequent Quarterly Status Reports. The Annual Evaluation and Status Reports will include these metrics along with macroeconomic indicators, such as job creation, and the geographic distribution of program funding and benefits across the State.

Table 3.1. Program Benefit Categories

Benefits
Net Greenhouse Gas Emission Savings[7] (Annual Mt-CO_2e[8])
Net Electricity Savings from Energy Efficiency and On-Site Generation (Annual MWh)
Renewable Energy Generation (Annual MWh)
Net Natural Gas Savings (Annual MMBTU)
Net Fuel Oil Savings (Annual MMBTU)
Net Propane Savings (Annual MMBTU)
Net Gasoline Savings (Annual MMBTU)
Net Diesel Savings (Annual MMBTU)
Annual Energy Bill Savings to Participating Customers ($ Million)

These metrics are estimates made by program implementation staff. Evaluation results will be presented in the Annual Evaluation and Status Report.

Source: NYSERDA

[7] These emission reductions are associated with both electric and fossil-fuel saving measures. Under a cap-and-trade system, the total number of emission allowances is determined by regulation. Regulated entities can purchase allowances and collectively emit up to the cap that is currently in place. Therefore, in the near term, electric efficiency projects may not decrease the overall amount of emissions going into the atmosphere. However, electric efficiency projects will reduce end-users' responsibility or footprint associated with emissions from electricity production.

[8] CO_2e stands for carbon dioxide equivalent and describes the amount of CO_2 that would have the same global warming potential as a given mixture of gases based on factors published by the Intergovernmental Panel on Climate Change.

4 Program Activities and Implementation

As discussed in Section 1, NYSERDA has initiated activities in the Commercial, Industrial, Municipal, and Institutional (CIMI) Water and Wastewater Efficiency Program (WWEP) program. Future quarterly reports will describe other programs as they proceed.

CIMI programs offer a set of coordinated initiatives designed to achieve cost-effective CO_2 reductions by providing technical support and implementation assistance to existing facilities and new construction projects. The WWEP offers a unique opportunity to coordinate RGGI funding with federal economic stimulus funding by supporting infrastructure development and RGGI program goals – such as carbon emission reductions – while also keeping New York's waters clean and healthy. New York State has secured federal economic stimulus funds that will bolster efforts to finance a new generation of water and wastewater infrastructure via the Clean Water and Drinking Water State Revolving Fund Programs. Co-managed by the Environmental Facilities Corporation (EFC) and NYSERDA, the WWEP combines these stimulus funds, released through the State Revolving Fund, with RGGI funding to support infrastructure that will be constructed to high energy efficient standards, minimize carbon emissions and improve the facilities' economic and environmental performance.

The WWEP reviews projects on the State Revolving Fund Intended Use Plan (SRF IUP), including those likely to be recipients of federal economic stimulus funds, and identifies candidates for likely energy efficiency and carbon abatement opportunities. Selected projects are subject to technical analysis to identify costs and savings associated with energy efficiency, process improvements, and carbon abatement opportunities, as well as grants to offset the additional cost of plant upgrades. NYSERDA, in coordination with EFC, has completed the following steps necessary to implement the WWEP:

- Completed energy efficiency studies for 24 projects using seven consultant teams.
- Reviewed energy efficiency studies with the participating municipalities.
- Worked to ensure the energy efficiency evaluations for each municipality would meet U.S. Environmental Protection Agency (EPA) guidelines for American Recovery and Reinvestment Act (ARRA) projects receiving Green Project Reserve funds.
- Worked to submit projects to EPA for approval of energy efficiency measures to receive ARRA Green Project Reserve funds.

For information on other
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