



NEW YORK'S RGGI-FUNDED PROGRAMS

**STATUS REPORT
QUARTER ENDING DECEMBER 31, 2009**

FEBRUARY 2010

**NEW YORK STATE
ENERGY RESEARCH AND
DEVELOPMENT AUTHORITY**

NYSERDA



1 Introduction

To implement the Regional Greenhouse Gas Initiative (RGGI), New York State has established its CO₂ Budget Trading Program through regulations promulgated by the Department of Environmental Conservation (DEC) and the CO₂ 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 CO₂ Budget Trading Program and the CO₂ 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 December 31, 2009. It contains an accounting of program spending, an estimate of program benefits, and a summary description of program activities and implementation.

Program activity was initiated through the launch of the Water and Wastewater Efficiency Program, and plans are 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.

The Operating Plan stated that a number of factors (*e.g.*, changes in the economy, the uncertainty associated with the pending RGGI litigation, efforts to supplement and not supplant economic stimulus funding, etc.) could impact the roll-out of programs during the first year of the plan. Therefore, a provision was included in the Original Plan that called for conducting a review of the plan and providing an update to NYSERDA’s Board of Directors, the Advisory Group, and other stakeholders six months after the Original Plan was approved.

Given these factors, the partner agencies released a revision to the Operating Plan in the form of a Summary Document that was issued on December 29, 2009, (a copy of the Summary Document can be found at http://www.nyserdera.org/RGGI/RGGI%20Op%20Plan%20Summary%20Doc%20Dec%2029th%20_2_.pdf). The Summary Document includes: a more conservative projection of auction proceeds, adjustments to meet the requirements of the recently enacted Green Jobs/Green NY Act, a provision for the recently enacted budget deficit reduction measures, and commitments pursuant to a consent decree that resolves the legal challenge to the State’s Regional Greenhouse Gas Initiative program.

A meeting was held on January 13, 2010, with the RGGI Advisory Group to discuss the proposed changes outlined in the Summary Document. Stakeholder comments will be reviewed and incorporated, as appropriate, and a final set of recommended changes will be provided to NYSERDA’s Board of Directors for approval at its March 1, 2010 meeting. Any approved changes will be incorporated into a revised operating plan and will be reflected in subsequent quarterly progress reports. In the meantime, this quarterly report still reflects the budgets and program information contained in the original April 27, 2009 Operating Plan. Please refer to the following webpage for ongoing developments with the plan: <http://www.nyserdera.org/RGGI/proceeds.asp>.

¹ For the DEC adopted regulations, see 6 NYCRR Part 242: CO₂ Budget Trading Program Regulations; for the NYSERDA adopted regulations, see 21 NYCRR Part 507: CO₂ Allowance Auction Program Regulations.

1.1 New York's Auction Proceeds²

As of December 31, 2009, New York State has sold a total of 63,330,448 CO₂ allowances and received a total of \$180,678,717.45 in auction proceeds. Detailed auction results are presented as Table 1.1.

Table 1.1. New York State's RGGI Auction Results³

Auction Date	Allowance Vintage	Clearing Price	New York State Allowances Sold	New York State Auction Proceeds
12/17/08	2009	\$3.38	12,422,161	\$41,986,904
3/18/09	2009	\$3.51	12,422,161	\$43,601,785
	2012	\$3.05	776,385	\$2,367,974
6/17/09	2009	\$3.23	11,861,849	\$38,313,772
	2012	\$2.06	776,385	\$1,599,353
9/09/09	2009	\$2.19	11,861,849	\$25,977,449
	2012	\$1.87	776,385	\$1,451,840
12/02/09	2009	\$2.05	11,861,850	\$24,316,793
	2012	\$1.86	571,423	\$1,062,847
TOTAL			63,330,448	\$180,678,717

Source: RGGI Inc.

² See http://www.rggi.org/docs/NY_Proceeds_by_Auction.pdf for more auction result details.

³ 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 December 31, 2009. Assuming a \$607 million⁴, 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.

⁴ 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, please refer to the April 2009 Operating Plan.

Table 2.1. Anticipated Available Funding and Financial Status through December 31, 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	1.20	0.43
Climate Smart Communities	6.6	2.2	-	-
Advanced Building Systems and Industrial Process Improvements	15.0	0.8	-	-
Total Residential/Commercial/Industrial/Municipal	230.6	70.3	1.20	0.43
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	1.5	1.5
Metrics and Evaluation	30.4	11.7	0.0	0.0
RGGI Inc. Costs ^e	5.8	3.8	3.0	1.88
New York State Cost Recovery Fee	3.6	1.4	0.03	0.03
Other Costs Total	82.3	33.2	4.53	3.41
PROGRAM AREA TOTAL (TOTAL excluding Other Costs)	525.0	120.8	1.20	0.43
TOTAL	607.3	154.0	5.73	3.84

^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; *i.e.*, 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 The Program Administration row includes the Authority's upfront administrative expenses related to the development and implementation of the CO₂ Budget Trading Program, the CO₂ Allowance Auction Program, and the Operating Plan.

^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 CO₂ 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 ⁵ (Annual Mt-CO ₂ e ⁶)
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

⁵ 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.

⁶ CO₂e stands for carbon dioxide equivalent and describes the amount of CO₂ 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 Water and Wastewater Efficiency activities under the Commercial, Industrial, Municipal, and Institutional (CIMI) Program. Future quarterly reports will describe other programs as they proceed.

CIMI programs offer a set of coordinated initiatives designed to achieve cost-effective CO₂ reductions by providing technical support and implementation assistance to existing facilities and new construction projects. The Wastewater Energy Efficiency Program (WWEP) provides an opportunity to initiate integration and coordination of climate change goals, capture federal economic-stimulus funds, and install infrastructure that will help to improve the environment and keep New York 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 State Revolving Fund (SRF) Program. Plants financed with SRF monies will be constructed to high energy-efficiency standards, thus minimizing carbon emissions and improving economic and environmental performance.

This pilot program is co-managed by the New York State Environmental Facilities Corporation (EFC) and NYSERDA. WWEP reviews selected projects on the SRF Intended Use Plan, including likely recipients of federal economic stimulus funds, and identifies candidates for energy-efficiency and carbon-abatement opportunities. Chosen projects receive technical analysis (FlexTech studies) to identify costs and savings associated with energy efficiency, process improvements, and carbon-abatement opportunities, as well as cost share for plant upgrades.

NYSERDA, in coordination with EFC, has completed the following steps necessary to implement the WWEP:

- Finalized 24 FlexTech studies after review and comment by the participating municipality, EFC, and the U.S. Environmental Protection Agency (U.S. EPA).
- During the design review, the FlexTech studies identified and recommended the installation of energy-efficient measures that would contribute to an estimated savings of 14,600 MWh and 52,748 MMBtu when compared to a standard design.
- The FlexTech studies were used by EFC to help leverage approximately \$104 million from the U.S. EPA's American Recovery and Reinvestment Act (ARRA) Green Project Reserve funds on behalf of the municipalities.

For information on other
NYSERDA reports, contact:

New York State Energy Research
and Development Authority
17 Columbia Circle
Albany, New York 12203-6399

toll free: 1 (866) NYSERDA
local: (518) 862-1090
fax: (518) 862-1091

info@nysERDA.org
www.nysERDA.org

New York's RGGI-Funded Programs

Status Report Quarter Ending December 31, 2009
February 2010

State of New York
David A. Paterson, Governor

New York State Energy Research and Development Authority
Vincent A. DeIorio, Esq., Chairman
Francis J. Murray, Jr., President and Chief Executive Officer

