

GOVERNOR PATRICK SIGNS REGIONAL PACT TO REDUCE GREENHOUSE GAS EMISSIONS

Auction of emissions allowances will fund energy-saving programs to lower electricity bills and further reduce emissions

Boston- Thursday, January 18 - Governor Deval Patrick today signed the Regional Greenhouse Gas Initiative (RGGI), committing the Commonwealth of Massachusetts to a multi-state effort to reduce emissions of carbon dioxide and tackle global climate change.

At the signing, Governor Patrick also pledged to use the proceeds of the sale of emissions allowances to fund an aggressive program of energy savings for households and industry. In addition, he will prioritize the purchase of renewable energies for state agencies.

"Today, my Administration takes its first step to set Massachusetts on a new course toward a clean energy future," said Governor Patrick. "Joining this pact and using the auction proceeds to fund an aggressive new energy-efficiency and peak-management initiative will pay dividends in three ways: We curb our greenhouse gas emissions, we create new economic development opportunities and we cut our energy costs."

"Changes in the electricity market are creating new economic incentives for large scale energy efficiency initiatives and programs that cut electricity demand on peak days - the hottest days in the summer when lots of us are using air conditioners," said Secretary of Environmental Affairs Ian Bowles. "The Governor wants to use these incentives - along with those created by RGGI - to drive down greenhouse gas emissions, drive down electricity costs, drive up energy efficiency, and strengthen reliability of the power system."

The Regional Greenhouse Gas Initiative is an effort undertaken by Northeast states to develop a market-based system for reducing carbon dioxide (CO₂) emissions from power plants. On terms reached in December 2005, seven states - Connecticut, Delaware, Maine, New Hampshire, New Jersey, New York, and Vermont - signed a Memorandum of Understanding (MOU) to participate in the RGGI system. Massachusetts - which had been involved in the development of RGGI - declined to sign the agreement at that time, as did Rhode Island.

At a briefing with climate scientists and the CEOs of Bay State energy-technology companies held today at the University of Massachusetts-Boston, Governor Patrick heard about the rising threat of climate change and how technologies developed by Massachusetts entrepreneurs can combat global climate change, provide savings to electricity consumers, and create jobs at the same time.

Following the briefing, Governor Patrick signed the RGGI MOU on behalf of the Commonwealth, as well as letters to the governors of the other RGGI states announcing that Massachusetts had rejoined the regional effort.

"Climate change is one of the most pressing challenges of our time," said Governor Patrick. "On this day, we want everyone to know that Massachusetts will not stand on the sidelines."

"The challenge of climate change illustrates vividly the need to integrate energy and environmental policy," added Governor Patrick, who has begun a sweeping Cabinet reorganization that combines energy and environmental affairs agencies into a single secretariat.

Under RGGI, annual emissions of CO₂ in Massachusetts from power plants of 25MW and larger will be capped at approximately 26 million tons statewide from 2009 through 2014, then reduced incrementally by 2.5 percent per year for the next four years. Under this cap, each state is given "allowances" for its emissions. Electricity generators will need an allowance for each ton of CO₂ they emit. Each state has discretion as to the manner by which it distributes these allowances. It can allocate them to generators for free, based on their past role in the energy marketplace, sell them by auction, or do a combination of the two - except that RGGI stipulates that at least 25 percent of allowances be allocated "for a consumer benefit or strategic energy purpose."

Governor Patrick announced that Massachusetts will auction 100 percent of its allowances, and use the funds generated by those sales - an estimated \$25 million to \$125 million per year, depending on the market price of the allowances - to fund energy efficiency, demand reduction, renewable energy programs, and combined heat and power (CHP) projects, which use what is normally wasted heat from power generation for efficient heating or industrial applications. To maximize rate reduction, funds will be utilized for an aggressive program to manage peak demand for electricity, lowering electric bills for consumers across the board. Customers will have incentives to use technologies like automatic lighting and air conditioning controls that can help minimize peak-time usage. With programs like these, the ratepayer saves individually and the entire electricity system is less strained, so prices can be reduced system-wide. The result is a cheaper, more reliable electricity market.

In addition to signing the RGGI agreement, Governor Patrick announced another clean-energy initiative:

- **Purchasing renewable electricity for state agencies.** The state Division of Energy Resources (DOER) will issue a request for proposals to arrange for the procurement of renewable electricity, using \$17 million to cover the price differential between renewable and traditional energy. This program will leverage over \$50 million in power purchases and will meet a substantial portion of the electricity needs of five state agencies, representing approximately 15 percent of the electricity used by the Executive Branch (or five percent of all public agencies), over the next 12 years. The five state agencies are the Departments of Environmental Protection, Conservation and Recreation, and Fish and Game, along with MassHighway and the Registry of Motor Vehicles. The procurement plan will spur the development of renewable power plants in Massachusetts that utilize biomass, wind, and other renewable fuels.

"Massachusetts should become a global center for clean energy," said Governor Patrick. "Making Massachusetts a customer for clean energy products is just the beginning."

Finally, Governor Patrick also announced that Massachusetts would reengage with the Conference of New England Governors and Eastern Canadian Premiers, a cross-border regional organization of state

and provincial leaders. As a first step, Governor Patrick directed Secretary Bowles to attend the Conference's Ministerial Forum on Energy and Environment in Quebec City in February.