

Carbon Offsets Daily
March 21, 2009

Green Group Buys CO2 Emissions Permits to Retire Them

| Sourced From Environment News Service |

NEW YORK, New York, March 20, 2009 (ENS) - The first market-based, mandatory cap-and-trade program in the United States to reduce greenhouse gas emissions held its third auction of emissions allowances in a 10-state region from Maine to Maryland on Wednesday. Allowances for 1,000 tons of emissions were purchased by an environmental group, not for use but to remove them from the market.

In a report on the auction today, the 10 Northeast and Mid-Atlantic states participating in the Regional Greenhouse Gas Initiative said all of the 31,513,765 allowances for the 2009 emissions sold at a clearing price of \$3.51 per allowance.

The participating states have regulations in place to cap and then reduce the amount of carbon dioxide, CO₂, that power plants in their region are allowed to emit, limiting the region's total contribution to atmospheric greenhouse gas levels.

Power sector CO₂ emissions are capped at current levels through 2014. The cap will then be reduced by 2.5 percent in each of the four years 2015 through 2018, for a total reduction of 10 percent.

The March 18 auction was the first since compliance obligations under RGGI's first three-year control period began on January 1, 2009.

The Brandon Shores coal-fired power plant in Maryland must buy CO₂ emissions allowances along with all other power plants in the 10 state RGGI region. (Photo courtesy Constellation Energy)

The auction raised more than \$117 million for energy efficiency, renewable energy and other consumer benefit programs in the 10 RGGI states - Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island and Vermont.

"The states are very pleased with the results from the latest RGGI auction," said New York State Environment Commissioner Pete Grannis, who chairs the Regional Greenhouse Gas Initiative, Inc. Board of Directors. "Our continued success provides further support for President Obama's position that a national cap and trade program with allowance auctions is the right policy for the country and the right approach for addressing the most pressing environmental and economic issue of our time: climate change."

The Adirondack Council purchased another 1,000 tons of carbon dioxide allowances from the Regional Greenhouse Gas Initiative auction.

The environmental organization's purchase takes the allowances away from power plants in the 10-state region, which need to buy carbon allowances from the RGGI program before they can emit carbon dioxide from their smokestacks.

"There are a limited number of allowances available for 2009, and we just bought another 1,000 of them with the intention that they never be used," said Brian Houseal, executive director of the Adirondack Council, a privately funded environmental organization based in New York's Adirondack Park.

"We are the only environmental organization in America – maybe the world – that is actively buying and retiring real pollution allowances, resulting in real emissions reductions from power plants that are under government orders to reduce their carbon emissions," Houseal said. "These aren't offsets or some other form of compensation for emissions. These are real reductions that will make the air cleaner and cooler."

Houseal explained that anyone, not just power companies, can participate in the greenhouse gas auctions mandated by the governments of the 10 participating states.

Allowances must be purchased in blocks of 1,000 or more. So far, the Adirondack Council has entered winning bids in all three RGGI auctions, dating back to September 2008. The Council also bought 2,000 allowances from a Canadian investment bank in December.

Houseal said the Council does not accept any government funding, but does accept donations from individuals, organizations, foundations and other non-taxpayer sources.

"We have developed a program called 'Cool Park, Healthy Planet' to help all citizens of the 10-state region to participate in reducing carbon emissions," Houseal explained. "It was clear to us when the program began that very few individuals would be able to afford the minimum auction purchase of 1,000 allowances each. So we are asking people to be our partners."

Houseal said that for every donation of \$25, the Council will retire three tons of carbon dioxide in the name of the donor. The donor will receive a suitable-for-framing Carbon Reduction Certificate to commemorate the purchase. The certificate carries the serial numbers of the allowances retired, and can be issued in any denomination of three or more.

Three tons of carbon dioxide is equal to about six months worth of electricity use by an average American, or about six months' worth of carbon emissions from the average automobile, according to U.S. Environmental Protection Agency.

"We had a huge rush of donations for Carbon Reduction Certificates around the holidays," Houseal explained. "That's the reason we bought an extra 2,000 allowances from a bank, instead of waiting for the results of the December auction. People were

buying certificates as holiday gifts for other people. The Golden Arrow hotel retired more than 100 tons, or the same amount the hotel created in serving all of its guests in December.

“They were moving so fast, we were going to run out about four days into our first offering,” he said. “In less than a month, more than 1,700 of the allowances we hold had been permanently retired by donors.”

Houseal said the Adirondack Council was using the money from the Carbon Retirement Certificate sales to purchase more allowances and to promote the expansion of the RGGI program.

“We believe President Obama and Congress should use the RGGI as a model for a national program,” Houseal said. “Once that is successful, it may be possible to link with the European Union program and others that are starting in other parts of the world. It’s a global problem, but it can only be solved if we take the first steps here at home and lead by example.”