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Texas Legislators Promote Texas Joining the Northeast's Regional Greenhouse Gas Initiative

Texas could join Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island and Vermont by becoming the next state to join the Northeast's Regional Greenhouse Gas Initiative (RGGI). House Bill 634, introduced by Representatives Ana Hernandez (D-Harris) and Eddie Rodriguez (D-Travis) in January, would have the Texas Commission on Environmental Quality (TCEQ), in consultation with the Public Utility Commission of Texas, establish a carbon dioxide "cap-and-trade" program to reduce the total carbon dioxide emissions released by fossil fuel-fired electric generating facilities operating in Texas. Although it is not clear that the bill will receive serious consideration, it is one more sign that states may be willing to pursue greenhouse gas cap-and-trade laws in lieu of waiting for the federal government to act and that the existing RGGI regime is viewed by some lawmakers as one potentially viable means for achieving emissions reductions in the energy sector.

Many details of the plan would be developed by the TCEQ in rules that would be completed by January 2010. For example, the bill would allow TCEQ to consider following a cap-and-trade initiative other than RGGI if it determines that such an initiative is best suited to Texas. However, other details are set forth in the bill.

First, the existing ten RGGI states cap CO₂ emissions from the power sector at current levels, and then require a 10% reduction in emissions by 2018. If adopted and if RGGI is the solution of choice, HB 634 would commit Texas power generators fueled by coal, natural gas, residual fuel oil and other fossil fuels to a 10% reduction by 2018, as well.

HB 634 also provides that the proposed cap-and-trade rules would require that a growing percentage of allowances be sold through auction to any person in Texas who wishes to participate. Thus, fewer allowances would be allocated over time. The auction percentages would be as follows:

- 2010 – at least 50%
- 2011 – at least 60%
- 2012 – at least 70%
- 2013 – at least 80%
- 2014 – at least 90%
- 2015 and beyond – 100%

The auction proceeds would be used for three purposes:

- To promote energy efficiency and conservation
- To directly mitigate the adverse effects of the cap-and-trade program on electricity consumers
- To promote renewable energy technologies that do not produce carbon dioxide emissions

Power plant carbon dioxide emissions in the RGGI states total approximately 120 million tons. Data maintained by the U.S. Department of Energy suggests that generators in Texas currently emit about half that amount. Thus, the proposed bill would bring a significant amount of additional power plant emissions under the RGGI cap. However, renewables development in Texas, including from wind, could mean that some generators in Texas would more easily meet the cap and that surplus allowances could be used by other emitters to meet compliance obligations either in RGGI or in states with cap-and-trade programs that decide to link to RGGI (e.g., the Western Climate Initiative). It also could open the door to more opportunities to earn offset credits under the RGGI program.

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