Economic Impact Of Regional Greenhouse Gas Initiative

Client

Regional Greenhouse Gas State Working Group

Facts

Period	2005
Project Country	United States

By Economic Development Research Group for the Regional Greenhouse Gas State Working Group, December 2005

The Regional Greenhouse Gas Initiative, or RGGI, is a cooperative effort by Northeastern and Mid-Atlantic states to implement a regional strategy for controlling emissions of carbon dioxide– a greenhouse gas that causes global warming. The proposed "cap and trade" program requires electric power generators in participating states to reduce carbon dioxide emissions.

A critical element of this effort was the determination of how proposed rules would affect electricity prices and the economic well-being of the participating states. The RGGI State Working Group (SWG) contracted with ICF Consulting and the EDR Group to analyze RGGI's potential impact on retail electricity prices and economic activity in the region. ICF Consulting used an Integrated Planning Model to forecast how wholesale electricity pricing in the region would be affected by proposed emissions caps. The outputs from this model were then run by EDR Group through a REMI model of the regional economy to determine impacts in terms of household and business costs and overall economic impact in the region. The analysis showed that impacts on electricity prices and economic development would be relatively small.

On December 20, 2005, seven states announced an agreement to implement the Regional Greenhouse Gas Initiative, as outlined in a Memorandum of Understanding (MOU) signed by the Governors of the participating states. The states that agreed to initially sign the MOU were Connecticut, Delaware, Maine, New Hampshire, New Jersey, New York, and Vermont. Later, Massachusetts, Rhode Island and Maryland also signed the MOU.

Contact Persons