

PROPOSED RULE: COVER SHEETSOS# _____
(Do not complete)

Note: File this form and its attachments with the secretary of state. You must file an adopting page, an economic impact statement, a public input statement, text of the rule, and an annotated text showing changes from existing rules with this cover sheet. You must also file a scientific information statement and/or incorporation by reference statement if applicable.

Please complete the following.

1. Title of proposed rule:

Vermont CO2 Budget Trading Program Regulations

2. Agency:

Agency of Natural Resources

3. Contact Person (Name, Address, & Phone)

Richard A. Valentinetti, Director, Air Pollution Control Division,
Dept. of Environmental Conservation, Agency of Natural Resources, 103
South Main Street, Building 3 South, Waterbury, VT 05671-0402
Telephone: (802)241-3840

4. Statutory authority for this rule:

10 V.S.A. chapter 23; 30 V.S.A. § 255.

5. Concise summary explaining the effect of the rule. This summary will be used to provide published notice of the proposed rule. **(150 words or less):**

The proposed rule would establish the Vermont component of the Regional Greenhouse Gas Initiative (RGGI). RGGI is a multi-state initiative to establish a cap-and-trade program to reduce CO2 emissions from fossil fuel-fired electric generating units that have a nameplate capacity equal to or greater than 25 megawatts. Beginning in 2009 through 2014, overall CO2 emissions from subject units in participating RGGI states would be capped at approximately current levels. From 2015 through 2018, emissions would be reduced by 2.5% each year to achieve a 10% reduction in 2018. This represents a reduction of approximately 35% below where CO2 emissions would be if RGGI were not implemented. Under the proposed rule, subject units could either reduce emissions, buy allowances on the market, and/or generate credits through an eligible CO2 emissions offset project.

6. Explanation of why this rule is necessary: Both 30 V.S.A. § 255 and the RGGI Memorandum of Understanding (MOU), signed by Governor Douglas on December 20, 2005, direct the Agency to develop this proposed rule and participate in the RGGI program. Moreover, there is a growing scientific consensus that increased anthropogenic emissions of CO2

are enhancing the natural greenhouse effect, resulting in changes in the earth's climate. Climate change poses serious potential risks to human health and ecosystems globally, regionally, and in Vermont. Capping CO2 emissions from fossil fuel-fired electricity generation and the development of a CO2 allowance trading mechanism will create an incentive for the creation and deployment of more efficient fuel-burning technologies, renewable resources, and end-use efficiency resources and is expected to lead to lower dependence on imported fossil fuels in the region. The proposed rule will also help Vermont to address the issue of global climate change.

- 7. List of people, enterprises and government entities affected by this rule: Environmental and energy advocates, electricity generators, distribution companies, ISO, non-electric generator business interests, consumer representatives, offset stakeholders, government stakeholders, other stakeholders and individuals interested in reducing greenhouse gas emissions.
- 8. Brief summary of economic impact of this rule (150 words or less): A macro-economic impact study of the RGGI program concluded that the impacts on the economies of the participating states would be very small and generally positive. On a regional basis, electric ratepayers may experience an initial modest increase in their electric bills, but improvement in end-use energy efficiency over time, due to both RGGI and other state energy policies, should produce a net savings. Any short-term increases in electricity cost due to RGGI could be offset by the sale of allowances by the Public Service Board. In addition, the proposed regulations are expected to provide numerous unquantifiable benefits to Vermont and the other participating RGGI states.
- 9. Date, time and place of scheduled hearing, if any (no sooner than 10 days following second publication): November 5, 2007, 6:00pm, Auditorium in the Pavilion Office Building, 109 State Street, Montpelier, Vermont
- 10. Deadline for public comments (no earlier than 7 days after scheduled hearing): 11/12/07

CERTIFICATION: AS THE ADOPTING AUTHORITY (see 3 V.S.A. § 801(b)(11) for a definition) OF THIS RULE, I APPROVE THE CONTENTS OF THIS FILING.

(Sign here)

Date: / /

George Crombie, Secretary

(Type name here please)

(Type name here please)

Please Check off the following components that are enclosed with this rule (**Please check only those that apply to this proposed rule**).

- Proposed Cover sheet
- Adopting Page
- Economic Impact Statement
- Scientific Information
- Public Input Statement
- Incorporation by Reference
- Text of the Rule
- Annotated Text

This box for Secretary of State use only

- Proposed Cover Sheet
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- ICAR Approval received.

These components were filed with this rule. APA Clerk's Initials _____.