

Summary: Analysis of Economic Impacts of the Regional Greenhouse Gas Initiative (Analysis Group, November 15, 2011)

On November 15, 2011, the Analysis Group released an independent analysis¹ of the economic impacts of the Regional Greenhouse Gas Initiative (RGGI), a 10-state regional cap-and-trade program.

A. Report Methodology

- The report examines the following:
 - the purchase of allowances in 13 RGGI auctions, Q3 2008 to Q3 2011;
 - the impact of allowance purchases on electricity prices in 2009–2011; and
 - the impact of programs funded by 2009-2011 RGGI proceeds on electric system outcomes and the macro-economy from 2009–2021.
- The net benefits are a result of a comparison to a counterfactual no-RGGI scenario.
- The analysis does not make any assumptions about the RGGI program after 2012—only impacts resulting from the revenue raised in the first three years of the program are considered.

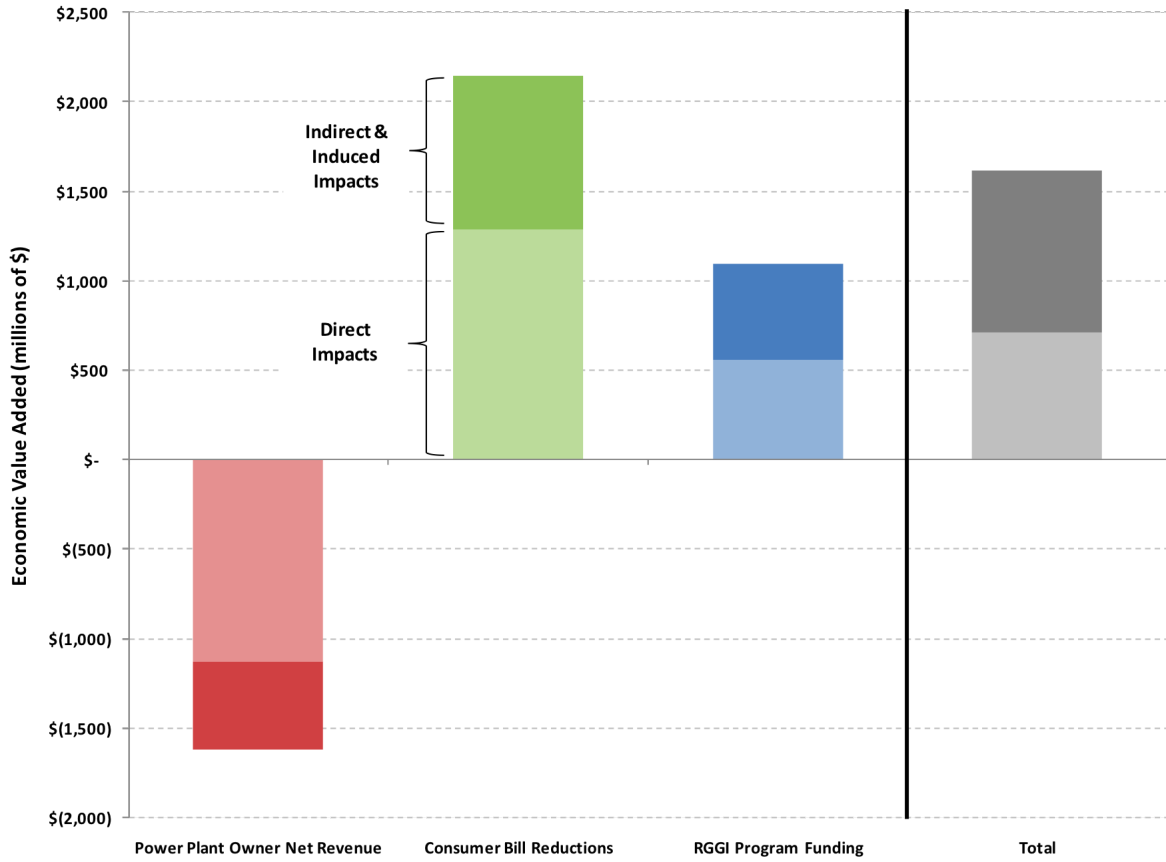
B. Key Findings

- **RGGI produced \$1.6 billion in net present value (NPV) economic value added²**
 - This equals benefits of \$33 per capita in the region.
 - This economic benefit reflects the following:
 - direct and indirect benefits from RGGI-funded programming (i.e., additional purchases of goods and services in the economy resulting from programming);
 - reduced energy costs from energy efficiency; and
 - reduced revenues for generators due to lower demand and the cost of allowances.
- **Consumer efficiency benefits in reduced energy costs: Net gain of nearly \$1.1 billion (NPV)**
 - Average savings of \$25 for residential consumers, \$181 for commercial consumers, and \$2,493 for industrial consumers over 2009-2021.
- **Decrease in revenues for electric power generators: \$1.6 billion (NPV)**
 - Generators recover all of their early allowance expenditures through the increase in electricity prices during the 2009–2011 period.
 - In the long run, RGGI-driven energy efficiency investments lead to lower sales of electricity, reducing generator revenues.
- **Consumer electricity payments increased by an estimated 0.7% in 2009-2011**
 - In the long run, this investment is expected to lead to net savings on electricity bills for all consumers in all RGGI states. (Efficiency gains overtake net energy cost increases in 2013-2014.)
- **The first three years of RGGI led to over 16,000 new “job years”**
- **Efficiency investments created the greatest economic benefits from use of auction revenues**
 - Efficiency investments created a double benefit: benefits from reduced energy prices as well as direct and indirect benefits of investments in efficiency services and technologies.

¹ PAUL J. HIBBARD ET AL., ANALYSIS GROUP, THE ECONOMIC IMPACTS OF THE REGIONAL GREENHOUSE GAS INITIATIVE ON TEN NORTHEAST AND MID-ATLANTIC STATES (2011), <http://www.analysisgroup.com/RGGI.aspx>.

² Using 3% discount rate for all net present value figures.

Figure 12
Net Economic Impacts for the Ten State RGGI Region



Notes: Figures represent dollars discounted to 2011 using a 3% public discount rate.