ANALYSIS GROUP
ECONOMIC, FINANCIAL and STRATEGY CONSULTANTS

The Regional Greenhouse Gas Initiative: Economic Impacts of the First Three Years

Report Highlights

Report released November 2011

Analysis Group's report measures the economic impacts of the first three years of the Regional Greenhouse Gas Initiative (RGGI). It tracks the path of RGGI-related dollars as they leave the pockets of generators who buy carbon dioxide (CO_2) allowances, show up in electricity prices and customer bills, make their way into state expenditure accounts, and then roll out into the economy.

> "RGGI generates greater economic growth in every one of the 10 states that participate in RGGI than would occur without a carbon price."
>
> Dr. Susan Tierney, Managing Principal at Analysis Group

Investments to date deliver results to the RGGI states[1]

$1.6 billion in growth.
The 10-state RGGI regional economy gains more than $1.6 billion in economic value.

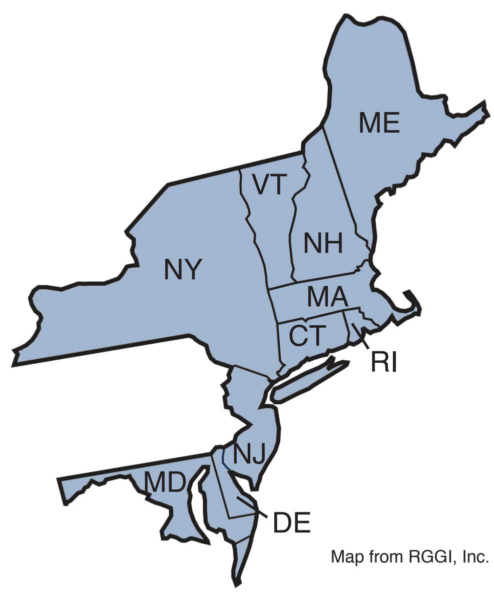
$912 million in allowance proceeds.
Power plant owners have spent roughly $912 million from mid-2008 through September 2011 to buy allowances from states. Proceeds are disbursed to states and spent on different projects.

$1.3 billion in energy savings to consumers.
Customers save nearly $1.1 billion on electricity bills, and an additional $174 million on natural gas and heating oil bills. Over time, customers will save nearly $1.3 billion.

Power plant owners lose revenue.
Power plant owners experience $1.6 billion in lower net revenue over time from reduced demand, although overall had higher net revenues during the 2009-2011 period.

Reduced fossil fuel use keeps more money local.
Reduced demand for fossil fuels keeps more than $765 million in the local economy.

More than 16,000 net jobs are created.
Based on economic savings and investments, 16,000 net jobs are created regionwide.



Map from RGGI, Inc.

[1] RGGI investments to date end up delivering the following results between 2009-2021, using a 3% public discount rate

Observations

RGGI is a Functioning Commodity Market

RGGI's operational carbon dioxide commodity market is delivering positive economic benefits for all 10 member states. On average, carbon pricing in the electricity market helped residential customers in RGGI states save $25 on their electric bills, commercial customers $181 and industrial consumers $2,493 each, according to the study.

Efficiency Spending Delivers Greatest Economic Boost

Spending on energy efficiency helps in two ways: first, it creates jobs for people being hired to install insulation and audit energy use, as well as boosts revenues for retail stores selling low energy light bulbs. Second, investments in energy efficiency end up saving consumers money on their electric bills, which puts more money into wallets to spend inside the local economy.

Member States Effectively Exercise Their Rights

States reserve the right to choose how to move CO_2 allowances into the market, and then how to spend the allowance proceeds. Each state chose to spend proceeds in a variety of ways, including energy efficiency, community-based renewable power projects, low-income bill assistance, education and job-training programs, and some used proceeds to bridge budget gaps.

Spending Affects Shape and Size of Benefit

The way in which a state spends the money affects the character and size of the benefit. Regardless of what states spent funds on, each state ended up with economic benefits from participating in RGGI: increased value in the local economy, less money flowing out of the region for fossil fuels, and more jobs created.

Mix of Electricity Affects Economic Impacts

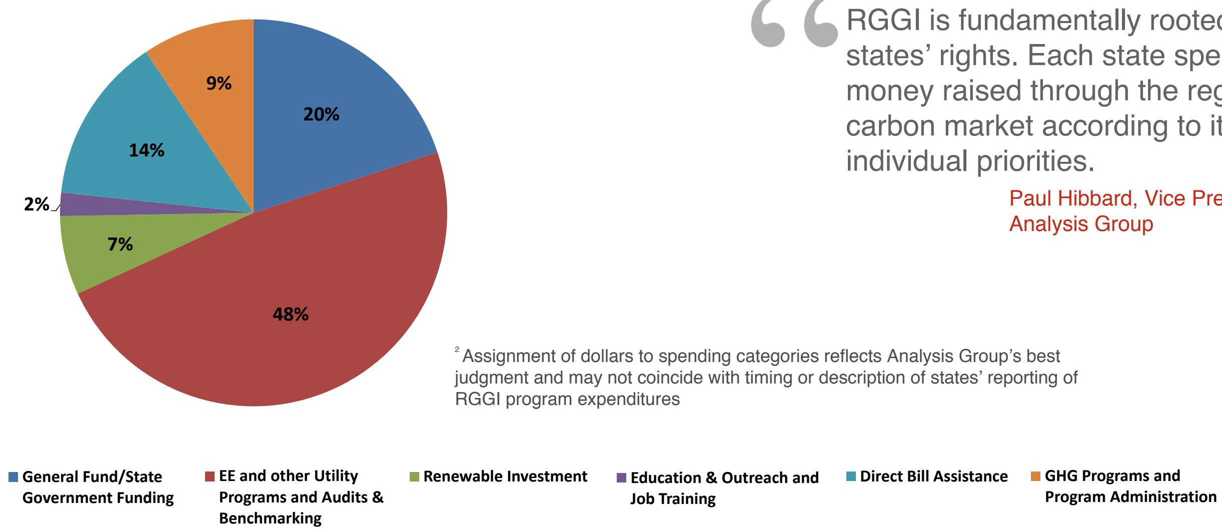
Where states get their electricity affects the level of economic benefits. For example, New England relies heavily on natural gas for electricity supply, so its electric customers faced lower-than-average electricity bill increases as a result of RGGI. States in the PJM region (Maryland, Delaware, and New Jersey) use more coal, and their consumers paid higher-than-average bill increases.

Quicker Fund Disbursement Accelerates the Benefits

The faster the RGGI funds are distributed, the faster the economic benefits are realized in the economy. Shortening the time between the "costs" of RGGI (i.e. purchases of allowances, effects on electricity prices and bills) and the flow of benefits to the economy helps to accelerate economic growth in the states.

State Spending

Summary of RGGI Spending Regionwide[2]



> RGGI is fundamentally rooted in states' rights. Each state spent the money raised through the regional carbon market according to its own individual priorities.

Paul Hibbard, Vice President at Analysis Group

[2] Assignment of dollars to spending categories reflects Analysis Group's best judgment and may not coincide with timing or description of states' reporting of RGGI program expenditures

About Analysis Group

Analysis Group provides economic, financial, and business strategy consulting to leading law firms, corporations, and government agencies. The firm has more than 500 professionals, with offices in Boston, Chicago, Dallas, Denver, Los Angeles, Menlo Park, New York, San Francisco, Washington, D.C., and Montreal. To view the report visit www.analysisgroup.com/RGGI.aspx