

**§580-B. Cap-and-trade program established**

A carbon dioxide cap-and-trade program, referred to in this section as "the program," is established in accordance with this section. [PL 2007, c. 317, §17 (NEW).]

**1. Application.** All carbon dioxide budget units are subject to the carbon dioxide cap-and-trade program, except that a carbon dioxide budget unit is exempt from the program if:

A. It is incapable of producing enough energy to generate 25 megawatts or more of electrical output; [PL 2007, c. 317, §17 (NEW).]

B. Its sale of electricity to any power distribution system is less than 10% of its gross electrical generation on an annual basis. In calculating this percentage, all electricity transmitted to the regional grid over the facilities of a transmission and distribution utility as a result of verifiable conservation and demand-side management initiatives or any emergency mandate of the regional transmission organization or lawful order of a governmental authority is not included in the calculation of annual sales; or [PL 2007, c. 317, §17 (NEW).]

C. Fifty percent or more of its annual heat input comes from the combustion of fuels other than fossil fuels. [PL 2007, c. 317, §17 (NEW).]

[PL 2007, c. 317, §17 (NEW).]

**2. Contingent on initiation of comparable programs.** The carbon dioxide cap-and-trade program commences no earlier than January 1, 2009 and only when other states that are participating in the regional greenhouse gas initiative that produce a minimum of 35,000,000 tons of annual carbon dioxide emissions budget and participate in a wholesale electricity market administered and overseen by the regional transmission organization have initiated a comparable carbon dioxide cap-and-trade program. Nothing in this section precludes the department from initiating air emissions licensing of carbon dioxide budget sources or from participating in auctions for the sale of carbon dioxide allowances.

[PL 2007, c. 608, §6 (AMD).]

**2-A. Condition for withdrawal.** The State shall withdraw from the regional greenhouse gas initiative when a sufficient number of other independent system operator participating states have withdrawn such that the total carbon dioxide emissions budget for the calendar year 2009, as specified in the Memorandum of Understanding, of the remaining other independent system operator participating states is less than 35,000,000 tons. If the condition is met for withdrawal from the regional greenhouse gas initiative, the department shall:

A. Immediately take all necessary steps to withdraw the State from all memoranda of understanding and contracts with states participating in the regional greenhouse gas initiative relating to the regional greenhouse gas initiative; and [PL 2011, c. 277, §2 (NEW).]

B. Submit legislation to the Legislature to make the necessary changes in law to reflect the State's withdrawal from the regional greenhouse gas initiative. [PL 2011, c. 277, §2 (NEW).]

[PL 2011, c. 277, §2 (NEW).]

**3. Base annual budget.** Until January 1, 2014, the base annual carbon dioxide emissions budget is established at 5,948,902 tons of carbon dioxide. For the year 2014, the base annual carbon dioxide emissions budget is established at 3,277,250 tons of carbon dioxide. Beginning with the year 2015, the annual carbon dioxide emissions budget must decline by 2.5% each year through the year 2020. For the year 2021, the department shall establish the base annual carbon dioxide emissions budget in accordance with the model rule and with rules adopted pursuant to subsection 4. Beginning with the year 2022, the annual carbon dioxide emissions budget must decline by 2.5% of the 2014 base annual carbon dioxide emissions budget each year through the year 2030.

[PL 2017, c. 323, §1 (AMD).]

**3-A. Interim adjustments for banked allowances.** The 2014 base annual carbon dioxide emissions budget of 3,277,250 tons of carbon dioxide and base annual budgets for 2015 to 2020 must be reduced by an amount equivalent to the quantity of banked allowances in excess of the quantity of allowances required for compliance at the end of 2013. The base annual carbon dioxide emissions budgets for 2021 to 2025 must be reduced by an amount equivalent to the quantity of banked allowances in excess of the quantity of allowances required for compliance at the end of 2020. The State's interim adjustments for banked allowances must be made in proportion to the State's share of the total annual carbon dioxide emissions budget for all states participating in the regional greenhouse gas initiative. [PL 2017, c. 323, §2 (AMD).]

**4. Rules implementing program.** The department shall adopt rules to implement the program. Rules must be consistent with the model rule. The rules must include, but are not limited to:

- A. Provisions for the establishment of a system for the annual assignment, sale and distribution of carbon dioxide emissions allowances consistent with the carbon dioxide emissions budget; [PL 2007, c. 317, §17 (NEW).]
- B. Provisions for the establishment of carbon dioxide budget unit compliance obligation accounts; [PL 2007, c. 317, §17 (NEW).]
- C. Provisions for the establishment of carbon dioxide offset project allowance categories and requirements; [PL 2007, c. 317, §17 (NEW).]
- D. Provisions for the implementation of a licensing process for carbon dioxide budget units; [PL 2007, c. 317, §17 (NEW).]
- E. Provisions for the establishment of a carbon dioxide emissions and carbon dioxide allowance tracking program; and [PL 2007, c. 317, §17 (NEW).]
- F. Provisions to manage the carbon dioxide allowance auction developed in coordination with other states and jurisdictions in the regional greenhouse gas initiative and in a manner that is consistent with provisions adopted by those states and jurisdictions and, to the extent feasible, that:
  - (1) Ensure close monitoring of allowance transactions in a manner that guards against collusion and market manipulation;
  - (2) Ensure ongoing authentic price discovery and minimize price volatility;
  - (3) Facilitate open participation for bidding to all individuals or entities that meet the financial requirements jointly adopted by the participating states;
  - (4) Minimize administration and transaction costs and provide for an open and transparent user-friendly system;
  - (5) Provide that ongoing monitoring of market activity is undertaken by entities that have complete financial independence from any market participant;
  - (6) For purposes of civil and criminal enforcement authority under section 349, establish a contract term at the time an allowance is purchased at the regional auction for violations of market rules jointly adopted by the participating states and jurisdictions or through another method of ensuring state jurisdiction; and
  - (7) Guarantee that the Attorney General, the Public Utilities Commission and the commissioner have access to all auction information and information concerning allowance trading activity, including reports provided to the regional organization by a market monitor. [PL 2007, c. 317, §17 (NEW).]

Rules adopted pursuant to this subsection are routine technical rules as defined in Title 5, chapter 375, subchapter 2-A.

[PL 2013, c. 369, Pt. D, §6 (AMD).]

**5. Enforcement.** Violations of this chapter are enforceable, and penalties may be imposed in accordance with sections 347-A, 348 and 349.

[PL 2007, c. 317, §17 (NEW).]

**6. Waiver of enforcement; suspension of compliance obligation.** The commissioner has authority, under the exceptional circumstances set out in paragraphs A and B, to waive or suspend requirements of this chapter.

A. If the regional greenhouse gas initiative results in price levels for allowances that will result in immediate and irreparable harm to the operations of a carbon dioxide budget unit regulated under this chapter, including but not limited to the termination of business at that location, the commissioner may, in consultation with the Attorney General and the chair of the Public Utilities Commission, grant a temporary waiver of enforcement not to exceed one year for any violation by an individual regulated carbon dioxide budget unit of a requirement of this chapter. [PL 2007, c. 317, §17 (NEW).]

B. In cases of emergency events that are beyond the control of a carbon dioxide budget unit, the commissioner may temporarily suspend the compliance obligation under a particular permit until such time as the emergency no longer is in effect. [PL 2007, c. 317, §17 (NEW).]

The department shall adopt rules for the implementation of this subsection. Rules adopted pursuant to this subsection are major substantive rules as defined in Title 5, chapter 375, subchapter 2-A and must be submitted to the Legislature by January 15, 2008 for review by the Joint Standing Committee on Natural Resources during the Second Regular Session of the 123rd Legislature.

[PL 2007, c. 317, §17 (NEW).]

**7. Allocation of carbon dioxide emissions allowances.** The department shall allocate 100% of the annual carbon dioxide emissions allowances for public benefit to produce funds for carbon reduction and energy conservation, as specified in Title 35-A, section 10109. Except as provided in subsections 7-A and 8, the department shall sell the carbon dioxide emissions allowances at public auction, in accordance with rules adopted under subsection 4. Revenue resulting from the sale of allowances must be deposited in the Regional Greenhouse Gas Initiative Trust Fund established under Title 35-A, section 10109.

[PL 2009, c. 652, Pt. A, §60 (RPR).]

**7-A. Voluntary renewable energy market set-aside.** The department shall set aside a portion of the State's annual carbon dioxide emissions budget in a voluntary renewable market set-aside account. The allowances from this account must be retired in an amount equal to the amount of carbon dioxide emissions reduced by the voluntary purchase of eligible renewable energy credits by persons in the State up to the amount held in the set-aside account. For purposes of this subsection, "eligible renewable energy credits" means renewable energy credits generated within the states that are participating in the regional greenhouse gas initiative.

Before February 1, 2010, the portion of the State's annual carbon dioxide emissions budget that is set aside in a voluntary renewable market set-aside account pursuant to this subsection may not exceed 2% of that budget. The department shall report to the joint standing committee of the Legislature having jurisdiction over utilities and energy matters by January 15, 2010 as to whether that 2% cap is appropriate. By January 31, 2010, the Efficiency Maine Trust, established under Title 35-A, section 10103, in consultation with the department, shall establish the cap on the portion of the State's annual carbon dioxide emissions budget that is set aside in a set-aside account.

[PL 2009, c. 372, Pt. B, §5 (AMD).]

**8. Combined heat and power incentive; set aside.** The department shall set aside a portion of the State's annual carbon dioxide emissions allowances in an allowance account for carbon dioxide budget units that are combined heat and power units and are located at integrated manufacturing facilities. The department shall use these allowances for existing carbon dioxide budget units to reflect

only that portion of each unit's emissions related to electricity and thermal power generated at a carbon dioxide budget unit that is a combined heat and power unit, whether it is a combined cycle system or other energy generation configuration of which the carbon dioxide budget unit is a part, that are not transmitted across the facilities of a transmission and distribution utility.

The department shall adopt rules setting forth the proper treatment of combined heat and power units. The rules may distinguish between combined heat and power units that commence operation after July 1, 2007 and those that commence operation before July 1, 2007. Rules adopted pursuant to this subsection are routine technical rules as defined in Title 5, chapter 375, subchapter 2-A.

[PL 2007, c. 317, §17 (NEW).]

**9. Integrated manufacturing facilities.** This subsection governs the treatment of integrated manufacturing facilities under this chapter.

A. The compliance obligation for a carbon dioxide budget unit at an integrated manufacturing facility is the carbon dioxide emissions associated with electricity resulting from the combustion of fossil fuels and transmitted over the facilities of a transmission and distribution utility. Absent any contractual arrangement to the contrary, the department shall presume that electricity from sources other than carbon dioxide budget units is transmitted first. The department shall adopt rules governing the compliance obligation for electricity generated at integrated manufacturing facilities and transmitted over the facilities of a transmission and distribution utility. [PL 2007, c. 317, §17 (NEW).]

B. The department shall establish the Integrated Manufacturing Facility Retirement Account to ensure proper accounting for carbon emissions from the generation of electricity and heat from fossil fuels at integrated manufacturing facilities. [PL 2007, c. 317, §17 (NEW).]

C. The purchase of electricity pursuant to a long-term electricity contract renders the purchaser an owner of a carbon dioxide budget unit for purposes of this chapter and obligates the owner to obtain the carbon dioxide emissions allowances applicable to the compliance obligation associated with the carbon dioxide budget unit. For purposes of this paragraph, "owner" means:

- (1) The holder of any portion of the legal or equitable title in a carbon dioxide budget unit;
- (2) The holder of a leasehold interest in a carbon dioxide budget unit, other than a passive lessor or a person who has an equitable interest through such lessor whose rental payments are not based, either directly or indirectly, upon the revenues or income from that unit; or
- (3) A purchaser of electricity from a carbon dioxide budget unit under a contractual arrangement for greater than a 3-year period.

If no person has title to the electricity under subparagraphs (1) to (3), the owner is any holder of any portion of the legal or equitable title to the output of a carbon dioxide budget unit or any holder of a leasehold interest in such a unit. [PL 2007, c. 317, §17 (NEW).]

Rules adopted pursuant to this subsection are routine technical rules as defined in Title 5, chapter 375, subchapter 2-A.

[PL 2007, c. 317, §17 (NEW).]

**10. Annual report.** The department, the Public Utilities Commission and the trustees of the Efficiency Maine Trust established pursuant to Title 35-A, section 10103 shall submit a joint report to the joint standing committees of the Legislature having jurisdiction over natural resources matters and utilities and energy matters by March 15th annually. The report must assess and address:

A. The reductions of greenhouse gas emissions from carbon dioxide budget units, conservation programs funded by the Regional Greenhouse Gas Initiative Trust Fund pursuant to Title 35-A, section 10109 and carbon dioxide emissions offset projects; [PL 2009, c. 652, Pt. A, §61 (RPR).]

B. The improvements in overall carbon dioxide emissions and energy efficiency from sources that emit greenhouse gases including electrical generation and fossil fuel fired units; [PL 2009, c. 652, Pt. A, §61 (RPR).]

C. The maximization of savings through systemic energy improvements statewide; [PL 2009, c. 652, Pt. A, §61 (RPR).]

D. Research and support of new carbon dioxide offset allowance categories for development in the State; [PL 2009, c. 652, Pt. A, §61 (RPR).]

E. Management and cost-effectiveness of the State's energy conservation and carbon reduction programs and efforts funded by the Regional Greenhouse Gas Initiative Trust Fund, established pursuant to Title 35-A, section 10109; [PL 2009, c. 652, Pt. A, §61 (RPR).]

F. The extent to which funds from the Regional Greenhouse Gas Initiative Trust Fund, established pursuant to Title 35-A, section 10109, serve customers from all classes of the State's transmission and distribution utilities; and [PL 2009, c. 652, Pt. A, §61 (RPR).]

G. The revenues and expenditures of the Regional Greenhouse Gas Initiative Trust Fund, established pursuant to Title 35-A, section 10109. [PL 2009, c. 652, Pt. A, §61 (RPR).]

The department, the Public Utilities Commission and the trustees of the Efficiency Maine Trust may include in the report any proposed changes to the program established under this chapter.

The joint standing committee of the Legislature having jurisdiction over natural resources matters may submit legislation relating to areas within the committee's jurisdiction in connection with the program. The joint standing committee of the Legislature having jurisdiction over utilities and energy matters may submit legislation relating to areas within the committee's jurisdiction in connection with the program.

[PL 2013, c. 369, Pt. D, §7 (AMD).]

**11. Confidentiality.** To protect the integrity of individual auctions administered under the carbon dioxide cap-and-trade program established in this section, the following records are confidential as provided in this subsection.

A. Except as provided in this paragraph, the following records are confidential for a period of 3 years beginning at the time of application, submission, award or record creation by the department or its agents:

- (1) Auction bid and award information specific to any one account holder;
- (2) Carbon dioxide allowance and carbon dioxide offset allowance account holdings; and
- (3) Carbon dioxide allowance and carbon dioxide offset allowance transactions.

This paragraph does not prohibit the release of carbon dioxide allowance and carbon dioxide offset allowance account holdings and transactions in an aggregated form that does not permit the identification of any person or entity.

The commissioner may release information described in subparagraph (1), (2) or (3) before the expiration of the 3-year period if the commissioner determines that confidentiality of that information is no longer required to protect the integrity of individual auctions administered under the carbon dioxide cap-and-trade program. [PL 2009, c. 200, §11 (NEW).]

B. The following records remain confidential and may not be disclosed except pursuant to a court order or upon the written consent of the account holder:

- (1) Proprietary information contained in documents required to be submitted to participate in an auction conducted under the carbon dioxide cap-and-trade program; and

(2) Carbon dioxide allowance and carbon dioxide offset allowance transaction prices. This subparagraph does not prohibit the release of transaction prices calculated in an aggregated manner that does not permit the identification of any person or entity. [PL 2009, c. 200, §11 (NEW).]

Records containing any emission, offset or allowance tracking information submitted for the purpose of demonstrating compliance with the carbon dioxide cap-and-trade program and rules adopted to implement the program are public records subject to disclosure under Title 1, chapter 13. [PL 2009, c. 200, §11 (NEW).]

#### SECTION HISTORY

PL 2007, c. 317, §17 (NEW). PL 2007, c. 608, §§6, 7 (AMD). PL 2009, c. 200, §§7-11 (AMD). PL 2009, c. 372, Pt. B, §§4-6 (AMD). PL 2009, c. 652, Pt. A, §§60, 61 (AMD). PL 2011, c. 277, §2 (AMD). PL 2013, c. 369, Pt. D, §§4-7 (AMD). PL 2017, c. 323, §§1, 2 (AMD).

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