



**University of Maryland Study of the Economic and Energy Impacts of
Maryland's Participation in the Regional Greenhouse Gas Initiative
Stakeholder Input Process**

Introduction

The Maryland Department of the Environment (MDE) has contracted with the University of Maryland, through the Center for Integrative Environmental Research, to conduct an independent study of the economic and environmental impacts related to Maryland's potential participation in the Regional Greenhouse Gas Initiative (RGGI). This document outlines the project team's strategy for ensuring effective stakeholder input and engagement into the study process. For direct questions concerning the study, please contact the Environmental Finance Center at the University of Maryland at (301) 403-4610, ext 25.

Background

On April 6, 2006, Maryland Governor Robert Ehrlich signed into law the Maryland Healthy Air Act, which had been passed with large majorities in Maryland's General Assembly. The purpose of the law is to improve air quality in Maryland by requiring power plants in the state to reduce a variety of emissions, including sulfur dioxide, nitrogen oxides, and mercury. In addition, the law requires the six largest power plants in the state to reduce emissions of carbon dioxide, a significant greenhouse gas. Production of electric power is vital to the State of Maryland but greenhouse gases, such as carbon dioxide that are a byproduct of this production represent a significant negative externality. It is important to carefully balance the gains from inexpensive and reliable electricity with programs to mitigate the negative environmental effects of these gases. To this end, the Maryland Healthy Air Act (Senate Bill 154) was recently passed. This bill requires the State to become a full participant in RGGI no later than June 30, 2007. RGGI currently comprises seven Northeastern and Mid-Atlantic states that in December 2005 entered into a memorandum of understanding to develop and implement a carbon dioxide emissions trading program for electric generators located within their states. The trading program would begin in January 2009.

Project Description

Based on requirements from MDE, this project will analyze multiple aspects of the RGGI program and how it both positively and potentially negatively might affect the State of Maryland as well as neighboring regions. In particular, our impact study will evaluate whether the State's participation in the RGGI has or may have an adverse impact on the:

- Preservation and enhancement of the economic welfare of the residents of the State;
- Maintenance of a safe and reliable electric power supply in the State,
- Adequacy of the energy supply in the State, including the potential for power plant shutdowns,
- Ability of persons who own, lease, operate, or control an affected facility to compete in neighboring states, or,

- Electric rates for residents of the State.

The study shall take into consideration a number of factors, including:

- The number of states that are included as full participants in the RGGI,
- The mix of energy resources in the states that are included as full participants in the RGGI; and,
- Availability of credits among participating states.

The analysis of the aforementioned items is a complex task which necessarily involves experts in energy, the environment, economics, and modeling. To this end, the University of Maryland's Center for Integrative Environmental Research (CIER) has assembled a talented team of researchers and industry experts. CIER will have overall responsibility for the project making sure that the issues mentioned above are carefully analyzed and reported in a clear and comprehensive way.

Project Modeling Researchers from the Johns Hopkins University (JHU) and Resources for the Future (RFF) will be partnering with the University of Maryland as subcontractors, and will be applying their expertise in the modeling of the electric power grid as well as the resulting environmental impacts. In particular, both JHU and RFF will be using existing models that can directly answer questions such as adequacy of the energy supply, generator competitiveness, electricity rates, and reliability issues in addition to providing some summary economic measures such as producer and consumer surplus. These models have already been applied in different contexts to address energy sector issues in Maryland. In addition, the University of Maryland itself will draw upon its expertise in electric power and environmental issues. In terms of the economic effects, Towson University's (TU) RESI will be brought in to use their input-output model to measure the economic welfare impact of RGGI participation on the State of Maryland.

The resulting analysis and report will consequently provide the State with a comprehensive review of all of the major impacts of Maryland's participation in RGGI so that it can make appropriate decisions for the benefit of Maryland and its residents. The assessments presented to the State will be based on the best available science, modeling and economic analysis conducted by the most qualified individuals and institutions. A study report detailing the result of the various model runs will be provided to MDE in January 2007.

Stakeholder Input Process

The University of Maryland RGGI project team recognizes the importance of ensuring adequate stakeholder input into the study and modeling process. To assist with the stakeholder input process, CIER and the project team will be working with the Environmental Finance Center (EFC), located at the University of Maryland in College Park. EFC will coordinate and manage the Project Outreach Committee and serve as a liaison between stakeholder interests and organizations and the project team leaders.

Given the short timeline necessary for completing the study, it is essential that the stakeholder input process be constructed in a way that ensures efficient, accurate, and effective communication between stakeholder organizations and the project team leaders. Given this short timeline, it is essential that this process incorporate the existing goals and procedures of the RGGI program, including:

- Provide a mechanism for informing the public and stakeholders of the Maryland RGGI project team's deliberations research process;
- Provide a forum for early input from stakeholders on key elements of the modeling and

research process;

- Maintain an ongoing dialogue between the Maryland RGGI project team and stakeholders; and,
- Establish opportunities for the public and stakeholders to submit formal comments to the RGGI project team leaders at key decision points in the research and modeling process.

Because of the complexity of the various modeling tools, as well as the truncated project timeline, it is critical that stakeholder comments related to the research and modeling process itself be accomplished soon enough to allow for effective analysis. Therefore, stakeholder input must be received by EFC and the project team by September 15, 2006. To ensure that stakeholder input process is efficient and effective, EFC staff, as well as the Project Outreach Team, will be incorporating the following tools and resources into the outreach process:

Direct Engagement with Key Stakeholder Interests The project team recognizes that there are many stakeholder organizations, research experts, and advocacy organizations that have a direct and ongoing role to play in the RGGI process. In addition, because it was necessary to shorten the project timeline, it is essential that the project team engage these critical stakeholder groups early in the process. EFC staff, as well as critical project team leaders, will be directly contacting these organizations and experts through teleconference calls and local face-to-face meetings. These discussions will take place throughout the month of August, and will conclude on September 15, 2006.

Broader Outreach Efforts The Project Outreach Team will also be working with key stakeholder groups to help disseminate information on the Maryland RGGI project and the stakeholder input process. Our goal is to leverage communication tools such as web sites, list serves, publications, and conferences and workshops. In addition, the Project Outreach Team will develop a web page that organizations can link to for detailed information on the RGGI process and the Maryland study.

***For more information, please contact the Environmental Finance Center
at the University of Maryland at (301) 403-4610, ext 25.***