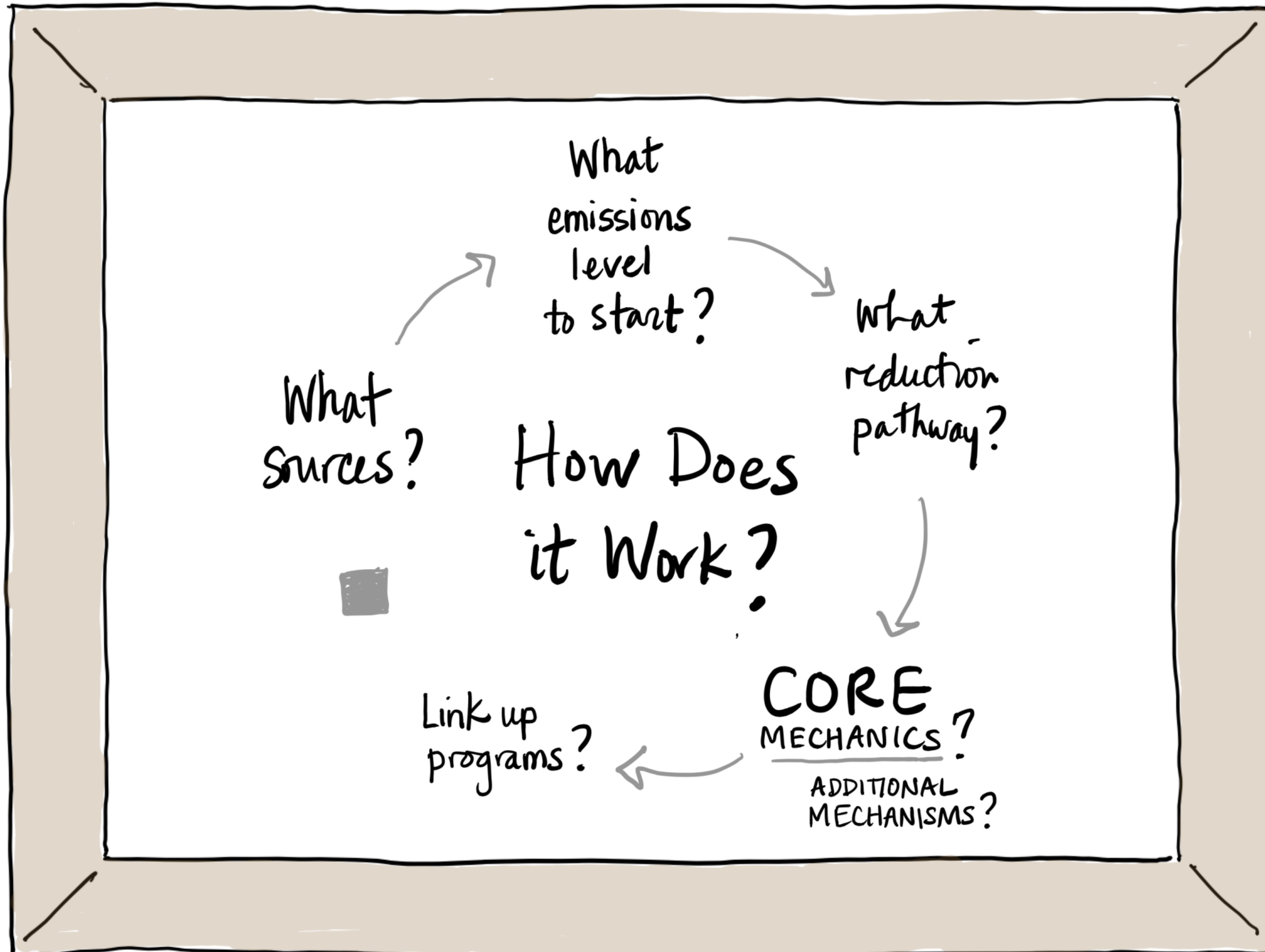
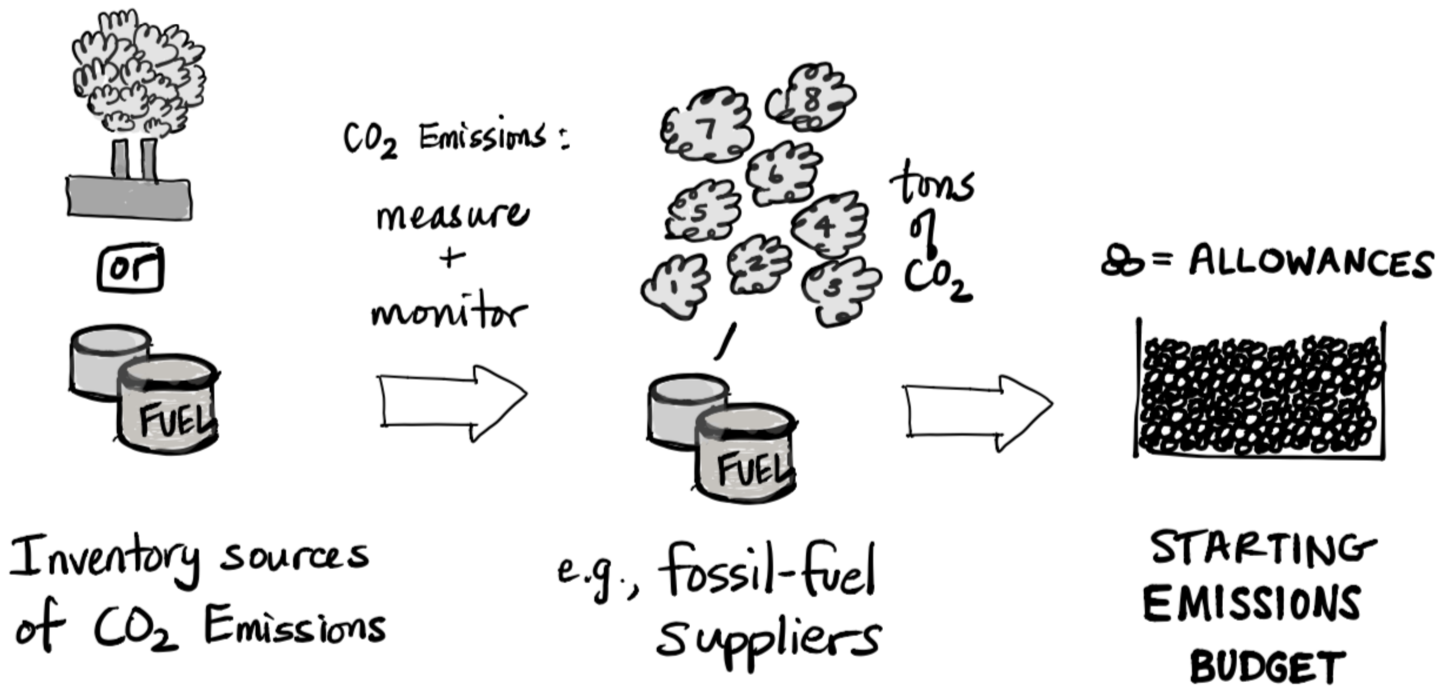
HOW
CAP-AND-INVEST
WORKS

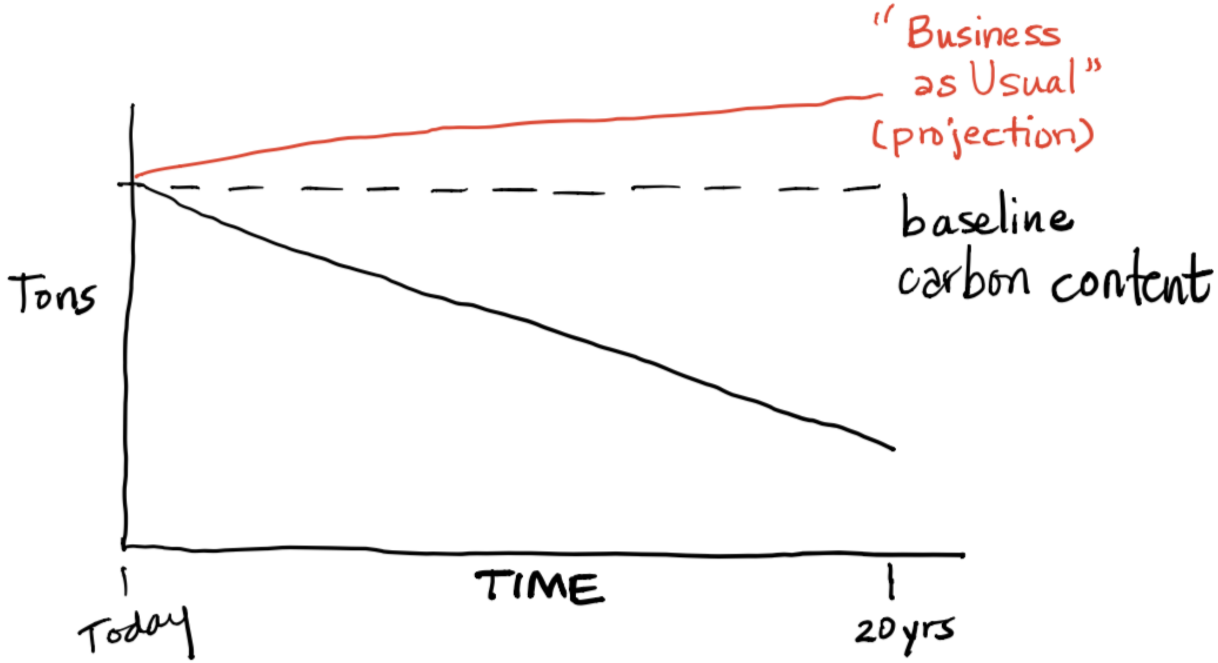

What emissions level to start?
What reduction pathway?
CORE MECHANICS?
ADDITIONAL MECHANISMS?
Link up programs?
What sources?
How Does it Work?

What is the starting point for the cap?



Which sources? What are the current emissions? Where to start?

CAP + RATE OF DECLINE



WHAT WILL THE ALLOWANCE PRICE BE?

HOW CAP-AND-INVEST WORKS

EMISSIONS BUDGET

The "Cap" ⇒

= ALLOWANCES

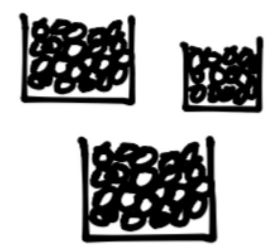
ALLOWANCES ARE DISTRIBUTED INTO THE MARKETPLACE

ALLOWANCES ARE DISTRIBUTED

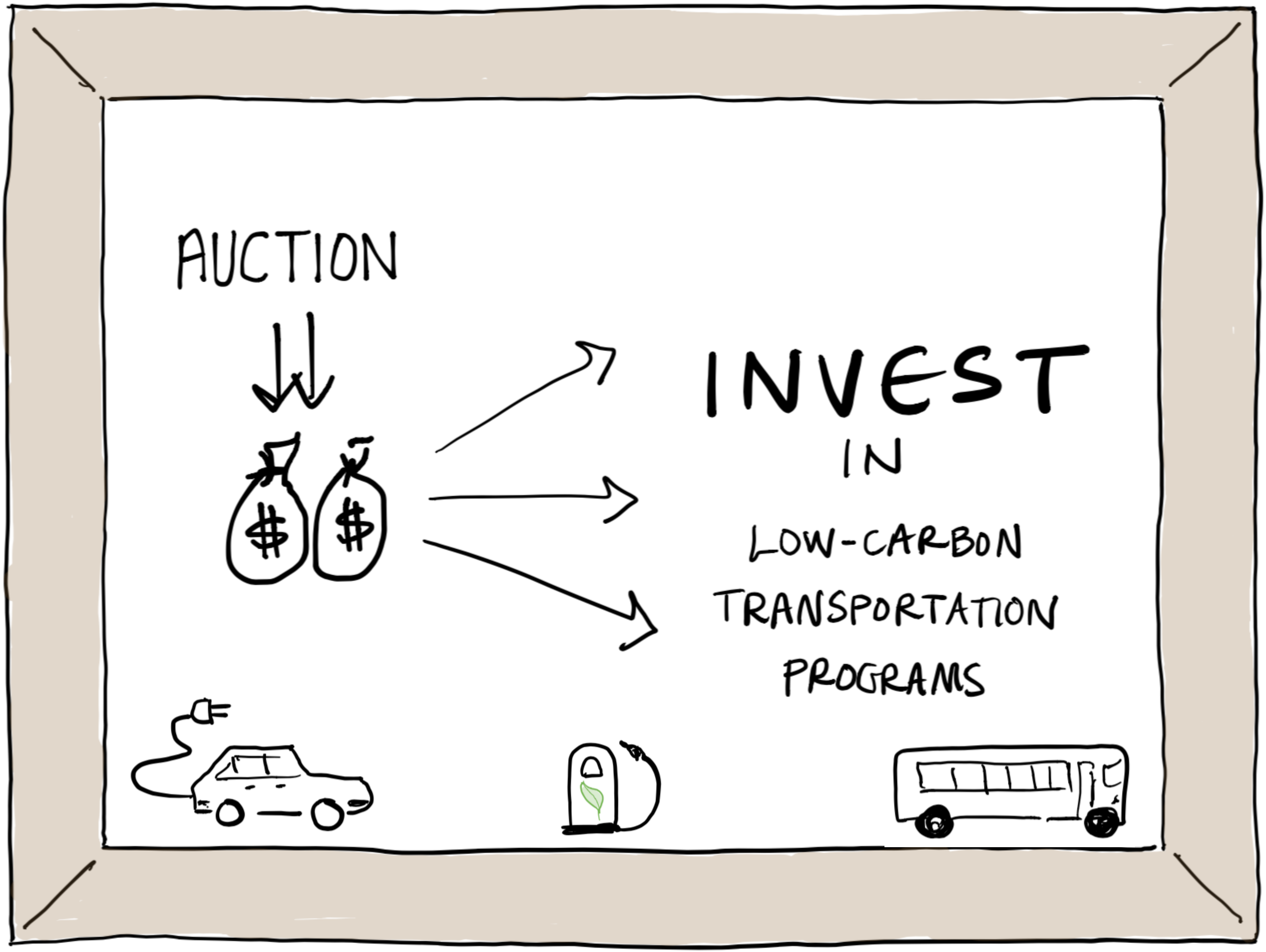
AUCTION

DIRECT ALLOCATION TO REGULATED ENTITIES

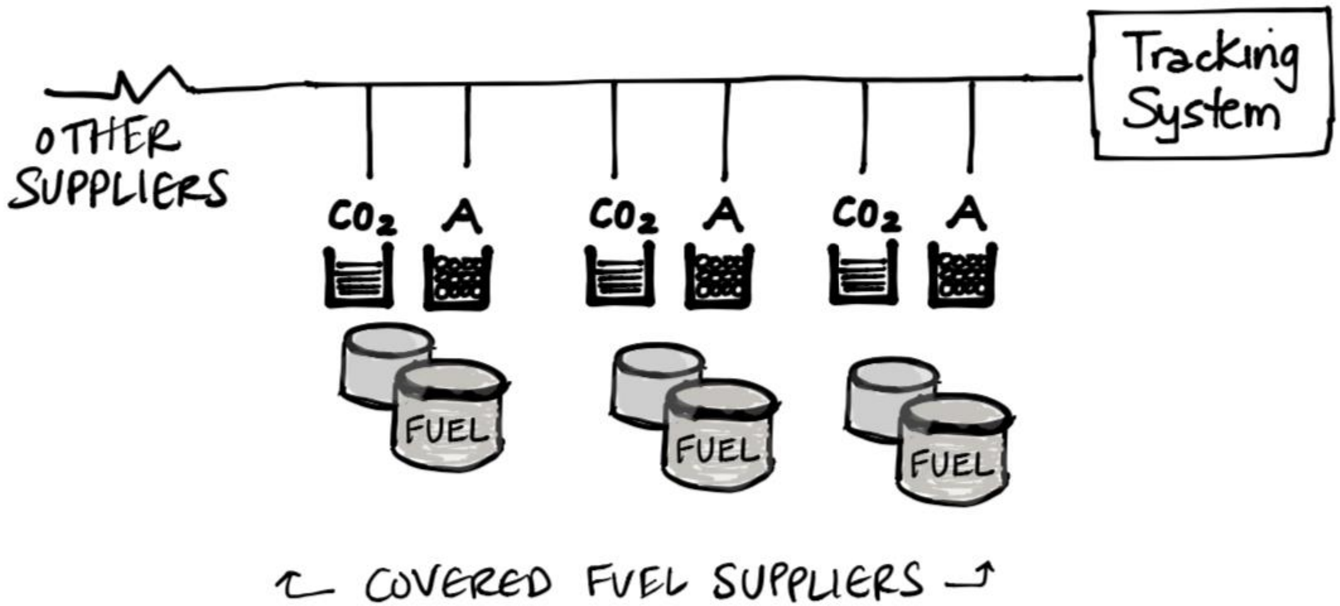
SET ASIDES



ALLOWANCE DISTRIBUTION MATTERS


AUCTION
INVEST
IN
LOW-CARBON
TRANSPORTATION
PROGRAMS

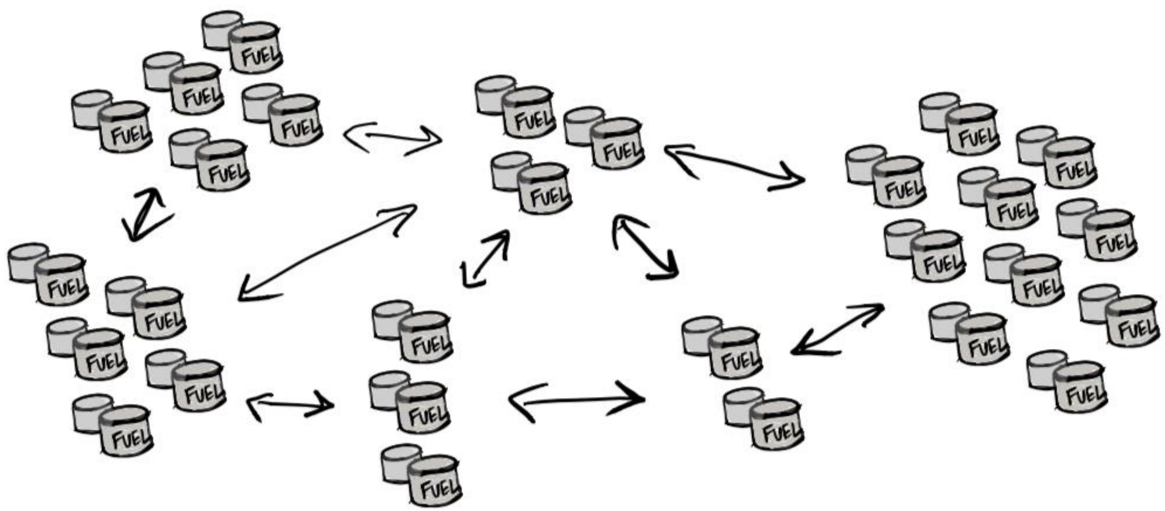
COMPLIANCE: FLEXIBLE and SIMPLE



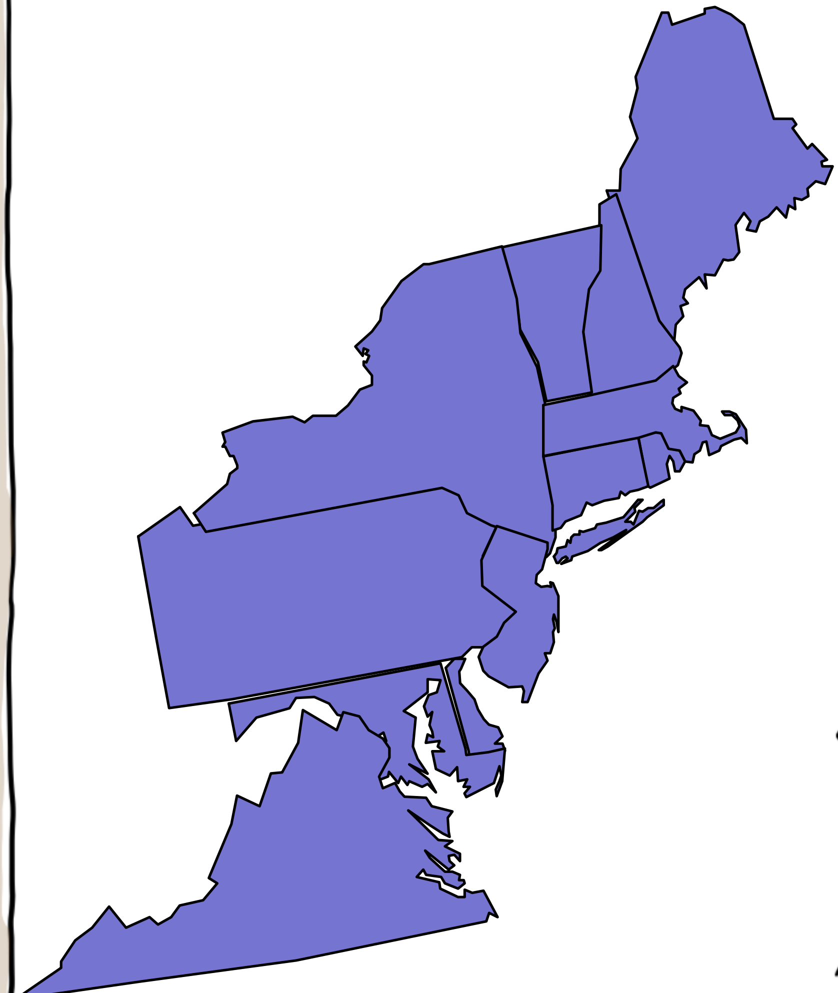
THESE SUPPLIERS MEASURE, MONITOR + REPORT CARBON CONTENT AND "TURN IN" ALLOWANCES TO "COVER" CARBON CONTENT AT THE END OF EACH COMPLIANCE PERIOD

LOCATIONAL ISSUES

DIFFERENT BECAUSE
FUEL SUPPLIERS DON'T EMIT

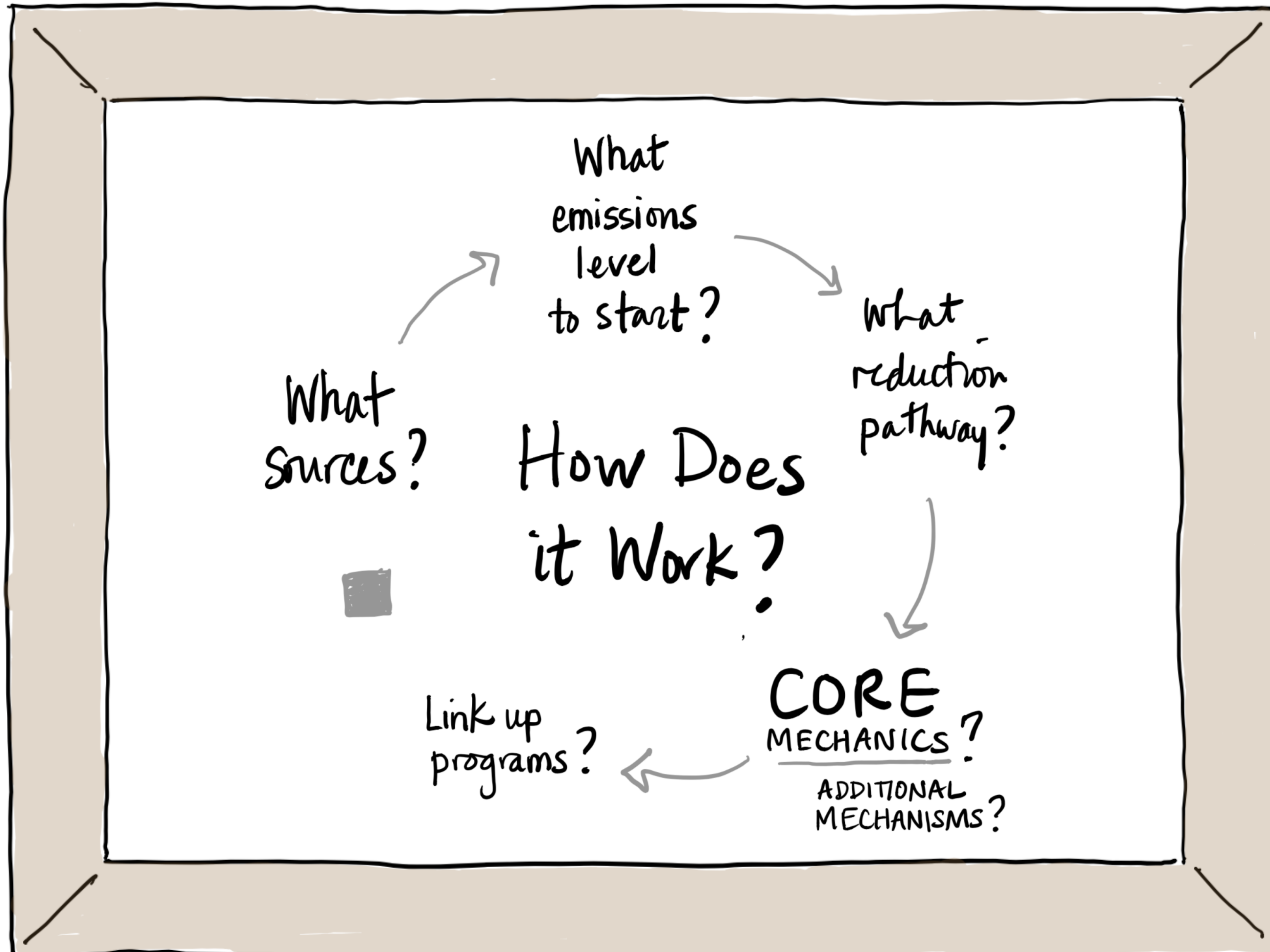


GOAL IS LOWER CARBON FUELS OVERALL



LINKING CONSIDERATIONS

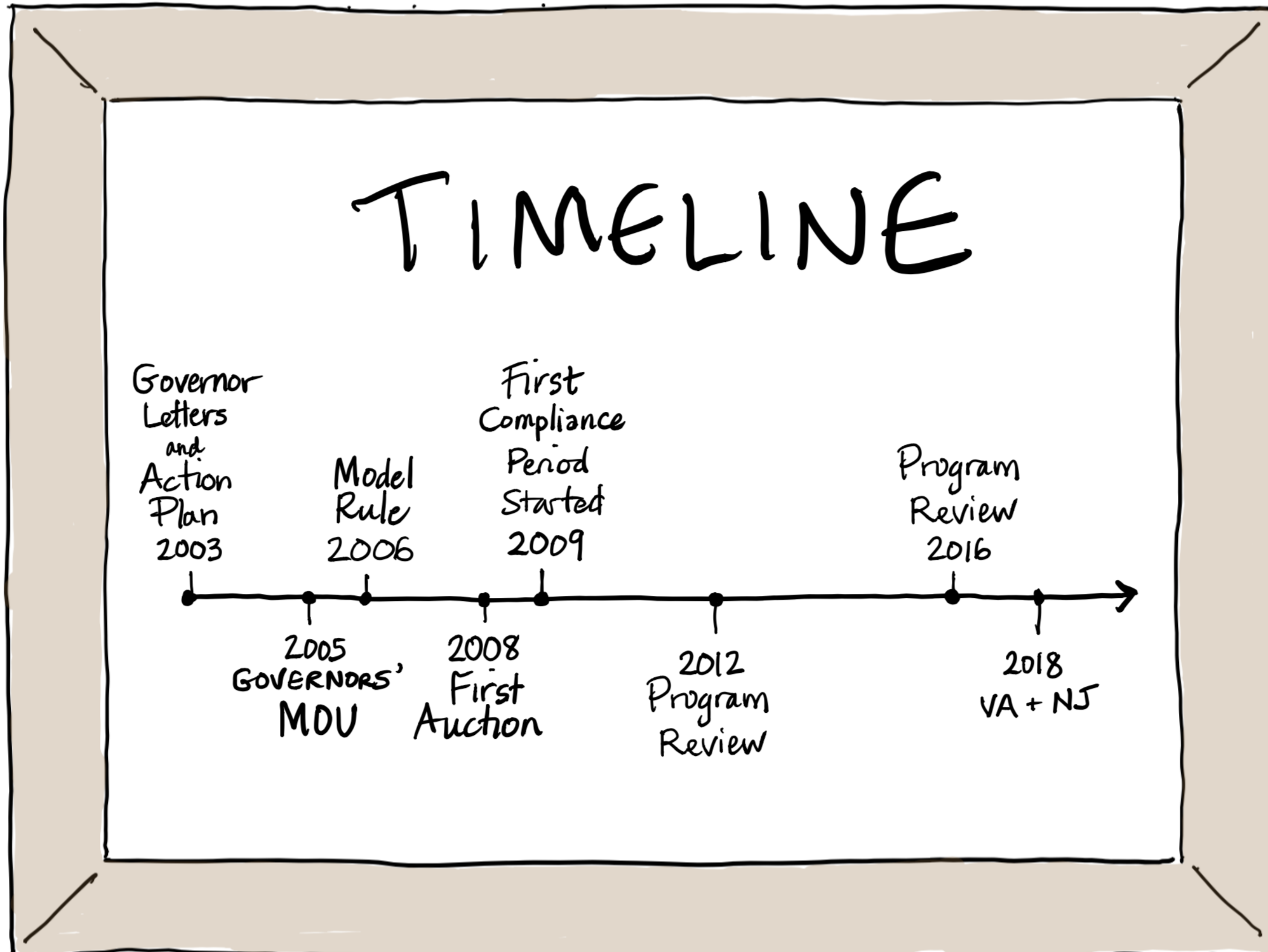
- A REGIONAL CAP-AND-INVEST WOULD BE **LINKED** STATE PROGRAMS
- STATES POOL RESOURCES
- SHARE PLATFORMS


How Does it Work?
What emissions level to start?
What reduction pathway?
CORE MECHANICS?
ADDITIONAL MECHANISMS?
Link up programs?
What sources?

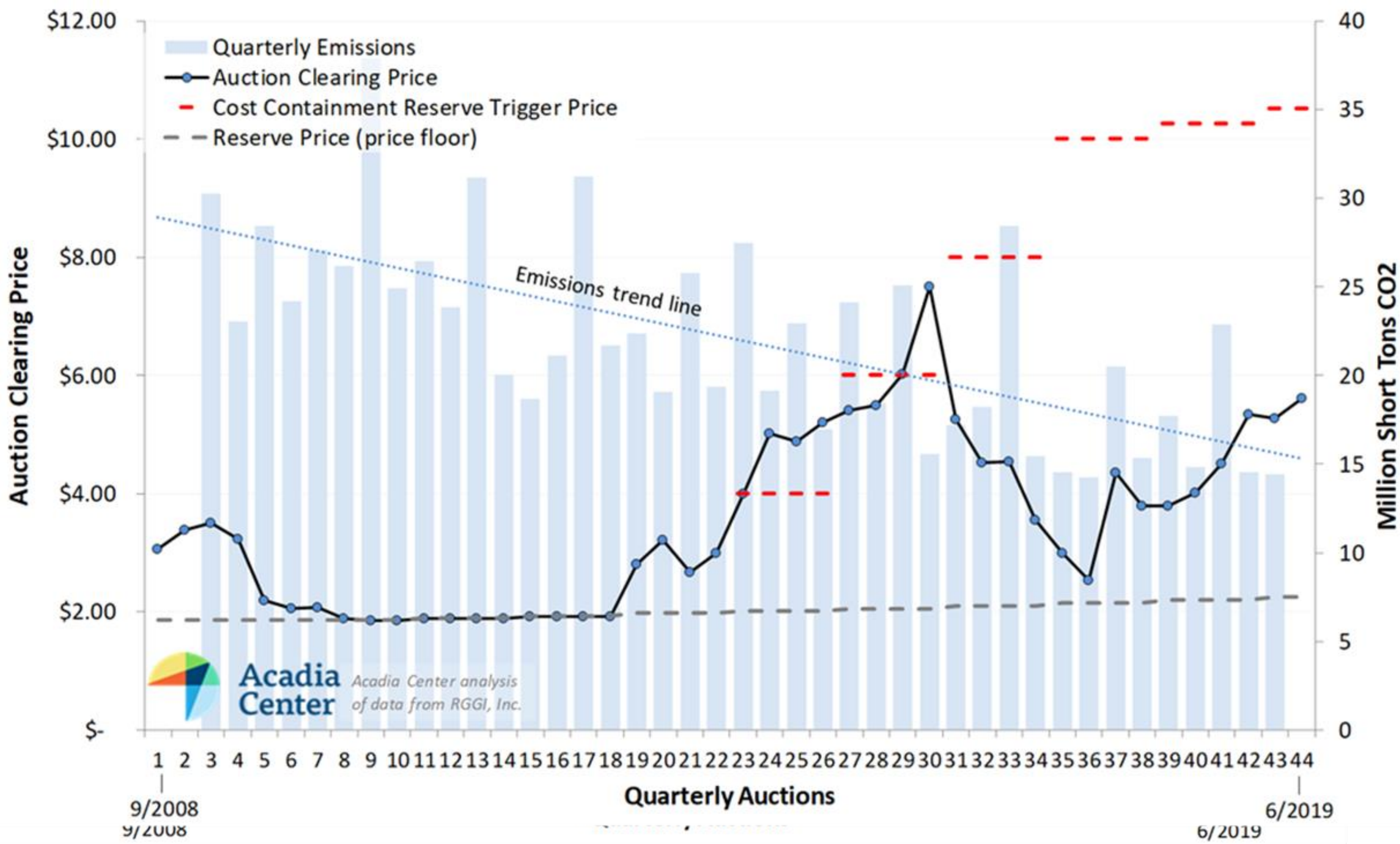
Thank You!

franz@litzstrategies.com

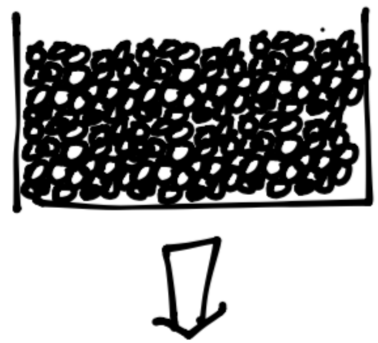
THE RGGI TRACK RECORD


TIMELINE
Governor Letters and Action Plan 2003
2005 GOVERNORS' MOU
Model Rule 2006
2008 First Auction
First Compliance Period Started 2009
2012 Program Review
Program Review 2016
2018 VA + NJ

THE TRACK RECORD



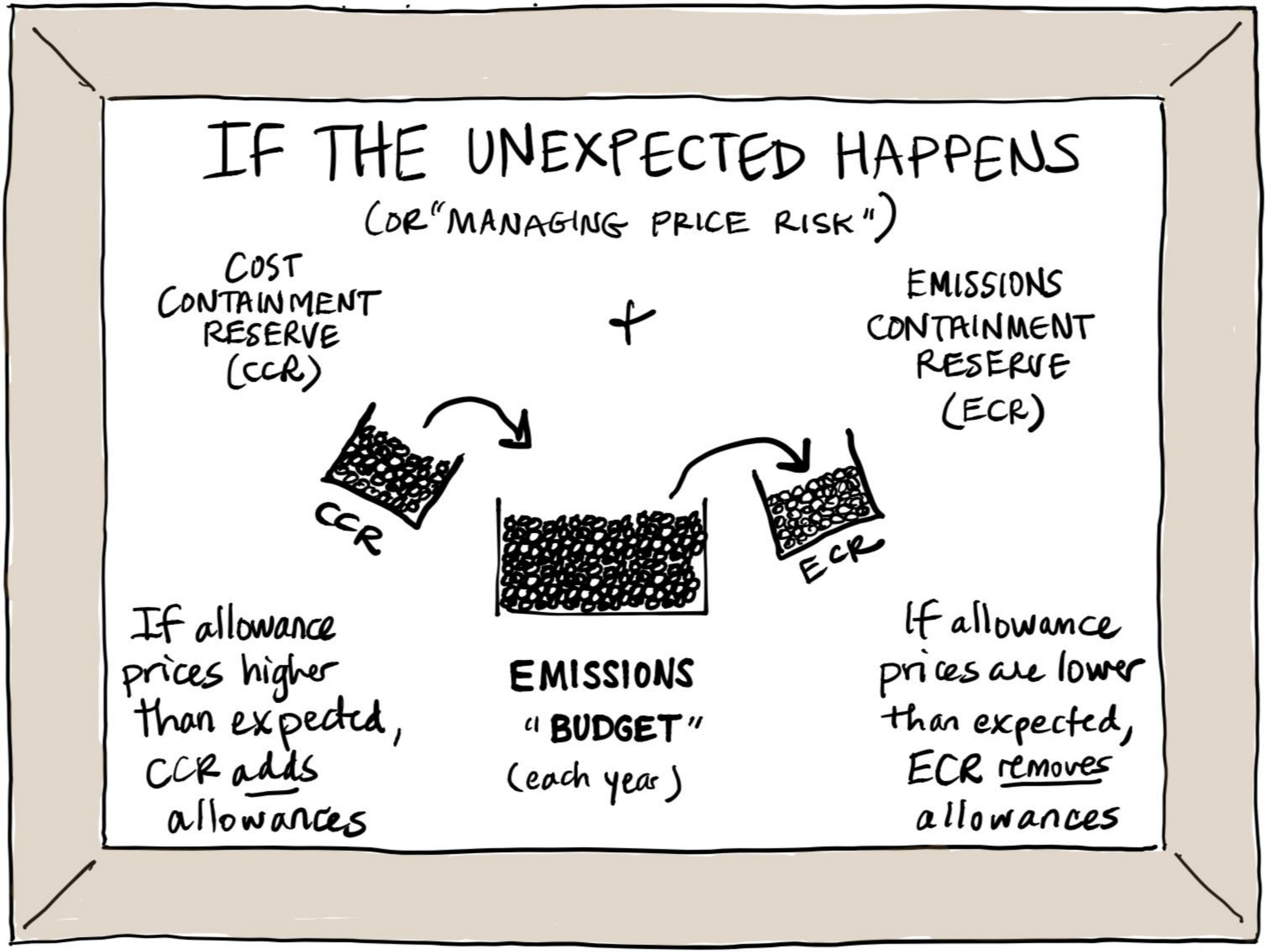
WHAT IS THE ALLOWANCE PRICE?

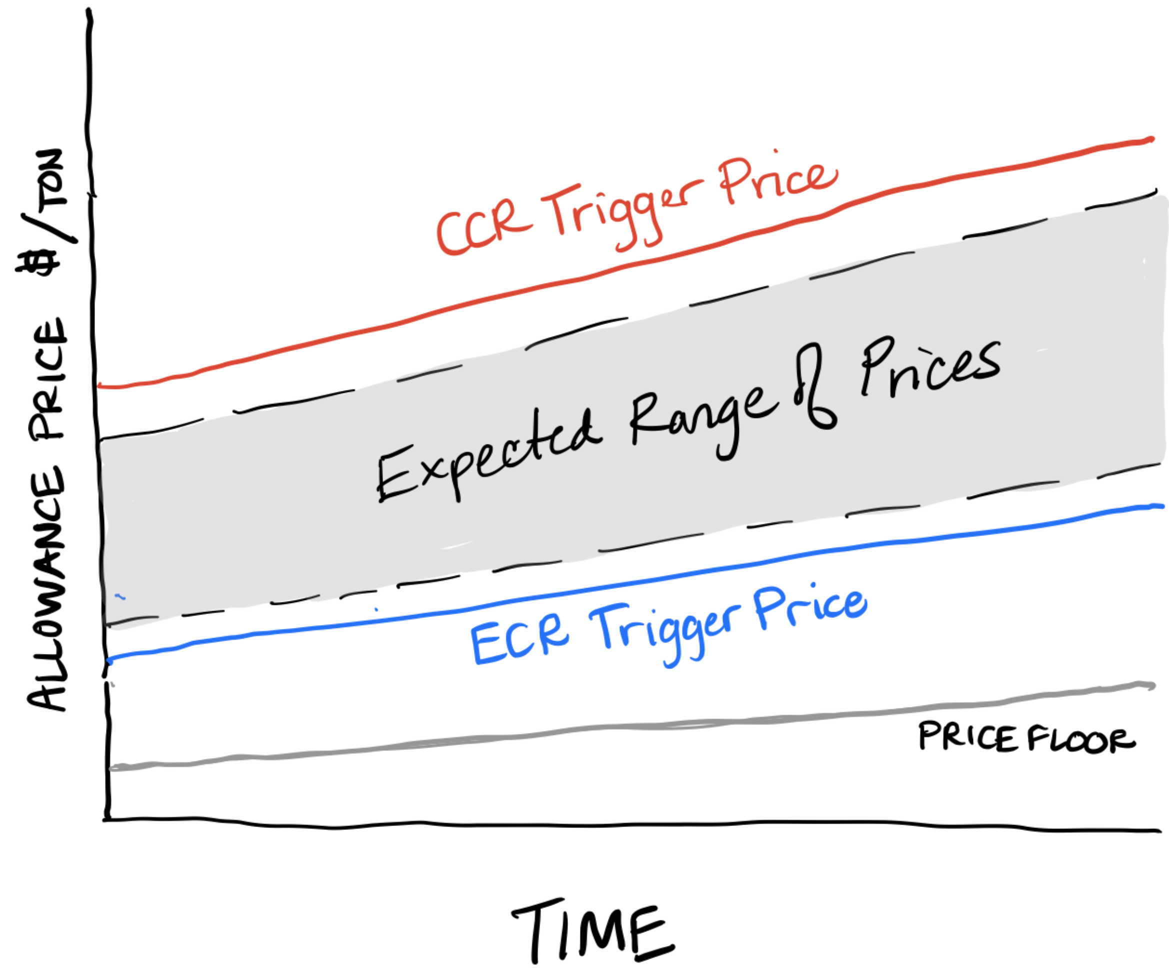


AUCTION CLEARING PRICE

and

"Secondary Market"


IF THE UNEXPECTED HAPPENS
(OR "MANAGING PRICE RISK")
COST CONTAINMENT RESERVE (CCR)
+
EMISSIONS CONTAINMENT RESERVE (ECR)
CCR
ECR
If allowance prices higher than expected, CCR adds allowances
EMISSIONS "BUDGET" (each year)
If allowance prices are lower than expected, ECR removes allowances



CCR Trigger Price
Expected Range of Prices
ECR Trigger Price
PRICE FLOOR
ALLOWANCE PRICE $/TON
TIME