

ATTACHMENT A
ECONOMIC IMPACT STATEMENT
VERMONT CO₂ BUDGET TRADING PROGRAM RULE
AGENCY OF NATURAL RESOURCES
January 2026

A. Introduction

This proposed rule amends the Vermont CO₂ Budget Trading Program rules implementing the Regional Greenhouse Gas Initiative (RGGI). RGGI is a multi-state regional cap-and-trade initiative to reduce carbon dioxide (CO₂) emissions from fossil-fuel fired power plants in the eastern United States. A cap-and-trade program is a flexible, market-based approach to achieving real emissions reductions at the lowest possible cost.

B. Background on RGGI

Within the RGGI states, fossil-fuel-fired electric power generators with a capacity of 25 megawatts or greater (“regulated sources”) are required to hold allowances equal to their CO₂ emissions over a three-year control period. A CO₂ allowance represents a limited authorization to emit one short ton of CO₂ from a regulated source, as issued by a participating state. Regulated sources can use a CO₂ allowance issued by any participating state to demonstrate compliance in any state. They may acquire allowances by purchasing them at regional auctions, or through secondary markets.

States realize proceeds from the auction of allowances. In Vermont, after accounting for administrative expenses, over 90% of auction proceeds are invested in implementation of thermal efficiency programs. Vermont’s gross auction proceeds for the past five years total \$34.9M.

The RGGI auction mechanisms are designed to provide some measure of stability to the market. The Minimum Reserve Price is the minimum price that allowances can be sold for at an auction. The Cost Containment Reserve (CCR) and Emissions Containment Reserve (ECR) are reserves of allowances that help provide market stability if the cost of reducing emissions is higher or lower than expected.

The RGGI CO₂ cap represents a regional budget for CO₂ emissions from the power sector. For 2026, the RGGI cap for the ten participating states is 78,532,784 CO₂ allowances.

More information about how RGGI works can be found online at [www.rggi.org](https://www.rggi.org/sites/default/files/Uploads/Fact%20Sheets/RGGI_101_Factsheet.pdf):
https://www.rggi.org/sites/default/files/Uploads/Fact%20Sheets/RGGI_101_Factsheet.pdf.

C. Proposed Rule Amendments

The RGGI participating states (CT, DE, ME, MD, MA, NH, NJ, NY, RI and VT) periodically review their CO₂ budget trading programs to consider successes, impacts, and design elements (known as Program Review). The RGGI states completed the Third Program Review in July 2025, which resulted in updates to the RGGI Model Rule. As a result of this review, the states have agreed to the following revisions:

- Reduction of the regional emissions cap in 2027 to 69,806,919 tons of CO₂ from 75,717,784 tons under the previous Model Rule;
- Reduction of the regional cap by an average of 8,538,789 tons per year, which is approximately 10.5% of the 2025 budget, through 2033;
- Reduction of the regional cap by 2,386,204 tons of CO₂ annually from 2034 through 2037, which is approximately 3% of the 2025 budget. Subsequent years are set to match the 2037 emissions cap of 9,029,374 tons;
- Maintenance of the existing cost containment reserve (CCR) release price trajectory of \$19.50 in 2027, increasing at a rate of 7% annually, and implementation of a second tier of cost containment reserve allowances that are released at \$29.25 in 2027. Both tiers make up to 11.75 million additional allowances available;
- Replacement of the existing emission containment reserve (ECR) with an increased minimum reserve price that matches the existing ECR trigger price trajectory. The new minimum reserve price is \$9.00 in 2027, increasing 7% annually; and
- Removal of the offset project provisions.

More information about the latest program review and the proposed amendments can be found online at [www.rggi.org](https://www.rggi.org/program-overview-and-design/program-review): <https://www.rggi.org/program-overview-and-design/program-review>.

D. General Benefits

To estimate the potential benefits of the amendments to RGGI on the economies of participating states, the Integrated Planning Model (IPM), a commonly used computer model of the electric power market, was used to explore the effects of different policy proposals on electricity demand, generation, electricity prices, emissions, and RGGI allowance prices. Results from IPM were utilized as inputs for a macro-economic impact study conducted using a computer model called the Regional Economic Models, Inc. (REMI). Finally, the results from REMI were used to estimate the effect of the proposed changes on customer (residential, commercial, and industrial) electricity bills.

During this review, state staff recognized the considerable uncertainty regarding the future availability of renewable electricity to meet projected increased demand. To address that uncertainty, the analysis considered two possible future renewable energy

availability scenarios: one scenario including capacity from projects under contract and/or construction (Case A), and a second scenario including both contracted renewable energy projects as well as achievement of each state's renewable energy policy goals (Case B).

Reference/business-as-usual cases (one for each renewable energy supply scenario) were developed that assumed the allowance price in the first model year (2025) was equal to the average allowance price for auctions 54 through 68 (December 2021 through June 2025) and projected that price forward at a rate of 5.59% per year consistent with the discount rate nominal assumed by EPA in version 6 of IPM.¹

Based on the IPM results, the REMI results indicated that across the 10 participating states the updates to RGGI would produce very small but generally positive effects on gross state product, employment, and real personal income across the study period of 2025 to 2040. The regional modeling results are available for review on the RGGI internet site: <https://www.rggi.org/program-overview-and-design/program-review#:~:text=Supporting%20Materials>.

In Vermont, the proposed changes over the same fifteen-year period could result in:

- An increase in gross state product ranging from \$27 million to \$182 million;
- An increase in job-years² ranging from 178 to 1,780 job-years; and
- An increase in real disposable income of from \$69 million to \$101 million.

The proposed updates to the RGGI program will also provide numerous additional benefits to Vermont and the other participating RGGI states that were not quantified in this analysis, including:

- Further reduction in emissions of gases that contribute to climate change;
- Continued investment in energy efficiency in the region, both in end-use electricity and natural gas, heating oil and propane efficiency. Improved efficiency means fewer dollars spent on energy and less dependence on imported oil and gas;
- Promotion of low-emitting forms of electric generation, such as renewable energy;
- Increased interest in the development of new technologies to remove carbon from the emissions stream, and store carbon where it will not be harmful to the climate; and

¹ U.S. EPA, "Documentation for EPA's Power Sector Modeling Platform 2023 Using the Integrated Planning Model 2023 Reference Case," (April 2024), <https://www.epa.gov/system/files/documents/2025-02/epa-2023-reference-case.pdf>.

² "Job-years" are a measure of the total labor impact of a project or policy over a specific duration. One job-year equals one person employed full time for one year. The values presented here (178 and 1,780 job-years) are the net increase in full time jobs from 2025-2040 as compared to the reference case.

- Health co-benefits resulting from the reduction of emission of other pollutants from the electric sector such as mercury, nitrogen oxides, sulfur dioxide and particulates.

E. Potential Impacts to Electric Ratepayers

Residential, commercial, and industrial electric ratepayers are likely to be affected by the proposed rule. A contractor was engaged to evaluate the impacts of the proposed rule on ratepayers of each customer class based on estimated power prices and allowance prices from IPM, and the effect of each state's investment of auction proceeds.

Changes in electricity bills were modeled at the state level for Case A (projects under contract) and Case B (contracted and state goals). The analysis takes into account Vermont's investment of RGGI proceeds for implementation of residential thermal efficiency measures. The Vermont results were monthly bills, on average, from 0.52% lower (Case B) to 0.16% higher (Case A) for residential customers, 0.72% lower (Case B) to 0.22% higher (Case A) for commercial customers, and 0.8% lower (Case B) to 0.24% higher (Case A) for industrial customers as compared to a scenario without the proposed rule amendments.

Case A Contracted Renewables

Customer Class	Monthly Bill Difference (\$2022)	Monthly Percent Difference
Residential	\$0.19	0.16%
Commercial	\$0.85	0.22%
Industrial	\$135.94	0.24%

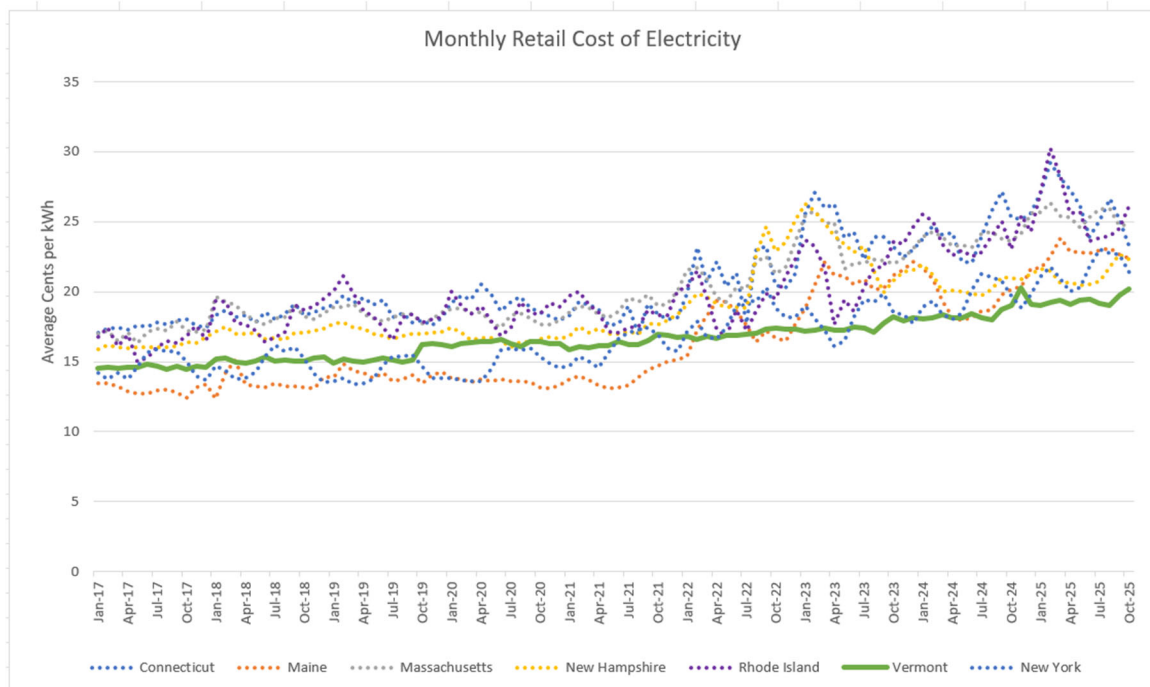
Case B Contracted Renewables and State Goals

Customer Class	Monthly Bill Difference (\$2022)	Monthly Percent Difference
Residential	-\$0.62	-0.52%
Commercial	-\$2.80	-0.72%
Industrial	-\$458.92	-0.80%

Customer bill increases from implementation of the proposed updates are modeled to occur in the Case A scenario primarily due to the lower availability of renewable energy resources across the region. To meet electricity demand in this scenario, the model dispatches more fossil generated electricity, which increases CO₂ emissions and demand for allowances and ultimately affects the price of electricity.

However, there are two reasons why the updated RGGI program is likely to have a lower impact in Vermont than indicated by the model analysis.

First, Vermont operates within a regulated electric utility structure, whereby utilities remain “vertically integrated” and are responsible for supply, transmission, and retail services to end-use customers. Unlike some other states, where power generation and supply roles are managed separately from distribution services, Vermont utilities are allowed to meet their supply needs through long-term contracts. This insulates Vermont customers from much of the short-term market volatility that customers in other states in the region have experienced. The Department of Public Service 2026 Annual Energy Report illustrates this effect in the figure below:



Second, the 2026 Annual Energy Report³ states that in 2024 over 90% of the state’s total electric load was generated from renewable or non-emitting (nuclear) sources that are not required to acquire and submit allowances. As a result, the modeled increase in electricity prices for Case A may be less dramatic in Vermont than in states that rely more heavily on fossil fuel-fired generation facilities.

F. Potential Impacts to Regulated Businesses

As with the existing rule, the proposed amendments to the RGGI program would apply only to fossil fuel-fired electric generating units that have a nameplate capacity equal to or greater than 25 megawatts. In Vermont, there continue to be only two facilities meeting these criteria: (1) the Burlington Electric Department (BED) Lake Street gas

³ Vermont Department of Public Service, Annual Energy Report 2026, <https://legislature.vermont.gov/assets/Legislative-Reports/2026-Annual-Energy-Report.pdf>.

turbine, and (2) Green Mountain Power's Berlin 5 generator.⁴ There is an exclusion for facilities that use biomass for at least 50% of their energy that exempts Burlington's J.C. McNeil generating plant. The proposed amendments could have the following economic consequences for these regulated units:

- The proposed update to the RGGI initiative would continue to decrease the total number of CO₂ allowances available at auction from 2027 to 2037. This reduction is expected to increase the cost to regulated units of obtaining allowances for compliance. It is likely that some or all of the increased costs related to the acquisition of allowances would be passed on to consumers. Both facilities are maintained to provide electricity under peak load conditions and over the past five years their combined annual CO₂ emissions have been 4,000 tons or less. Based on 2025 reported emissions of 2,461 tons and the weighted average allowance price of \$21.81 their combined 2025 compliance cost is estimated at \$53,700; compare to 2025 Vermont auction revenue of \$9.45M.
- However, the proposed updates also include establishment of two levels or tiers of cost containment reserve allowances. These are additional allowances released during an auction when pre-established price levels are achieved. This increases the supply of allowances available and mitigates price volatility.
- In addition, the BED is exploring replacing diesel fuel with renewable diesel. If this change is implemented it would relieve the facility of its compliance obligation under the regulation.

G. Potential Impacts to Government Entities

Like other ratepayers, state and local government entities may experience a modest change in their electric bills as described above in the section entitled "Potential Impacts on Electric Ratepayers." The impact to the Burlington Electric Department, which is municipally owned, is discussed above. In addition, the Agency of Natural Resources, the Public Utility Commission, and the Department of Public Service will incur some costs in implementing the proposed amendments to the rule. The cost of program administration is generally paid for by allowance auction proceeds.

H. Conclusion

The proposed amendments to the RGGI program will allow Vermont and the other participating states to make continued progress toward their objective of reducing CO₂ emissions in an economically efficient manner. The amendments may result in a small increase in costs on regulated units and a very small increase or decrease in costs to

⁴ The facilities subject to the rule are owned by the City of Burlington and Green Mountain Power Corp., neither of which meets the definition of a "small business" set forth in 3 V.S.A. §801(b)(12), the Vermont Administrative Procedure Act.

electric ratepayers based upon the availability and price of renewable energy resources. The amendments are expected to have generally positive long-term impacts on the economies of Vermont and the other participating states. Through investment of proceeds in initiatives such as end-use energy efficiency and renewable energy, the program is projected to bring modest regional increases to gross state product, employment, and real personal income (as described under “General Benefits”). Furthermore, the proposed rule, if adopted, will continue to satisfy the requirements of 30 V.S.A. § 255, which requires the Agency to update cap-and-trade program rules consistent with RGGI program review.

Sources Incorporated by Reference

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