

**RHODE ISLAND GOVERNMENT REGISTER
PUBLIC NOTICE OF PROPOSED RULEMAKING**

DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

Title of Rule: Air Pollution Control Regulation No. 46, 'CO2 Budget Trading Program'

Rule Identifier: 250-RICR-120-05-46

Rulemaking Action: Proposed Amendment

Important Dates:

Date of Public Notice: January 7, 2026

End of Public Comment: February 6, 2026

Rulemaking Authority:

R.I. Gen. Laws § 42-17.1-2(19)

R.I. Gen. Laws Chapters 23-23

R.I. Gen. Laws Chapters 23-82

R.I. Gen. Laws Chapters 42-35

Summary of Rulemaking Action:

The Regional Greenhouse Gas Initiative (RGGI) became the first mandatory cap-and-trade program to limit carbon dioxide (CO₂) emissions in the United States in 2009. CO₂ is a principal human-caused greenhouse gas (GHG) that contributes to climate change. The states that participate in this regional program include RI, CT, DE, MA, MD, ME, NH, NJ, NY and VT. Electric power generators (i.e. power plants) with a capacity of 25 megawatts or greater located in the states participating in RGGI are required to obtain a number of CO₂ allowances equal to the number of tons of CO₂ they emit. A CO₂ allowance represents a limited authorization to emit one short ton of CO₂, as issued by a respective state.

Proposed Amendments are as follows:

Updated Regional Cap Trajectory: The RGGI states will implement an updated regional cap trajectory that will provide up to 91% in additional cap reduction by the year 2037, relative to the 2024 cap. The base updated regional cap trajectory will take effect in 2027 and be set to decrease by approximately 10% annually, relative to the 2024 cap (on a trajectory towards 0 allowances by 2035). This regional cap trajectory will be set to continue to 2033. Then, beginning in 2034, the regional cap trajectory will change to a more gradual decrease of approximately 3% annually, relative to the 2024 cap (on a trajectory towards 0 allowances by 2040). This regional cap trajectory will be set to continue to 2037. Setting the regional cap beyond 2037 will be addressed at the next RGGI Program Review, to begin no later than 2028. This updated regional cap will help the RGGI states achieve ambitious emissions reductions quickly while maintaining affordable electricity prices and allowance availability for necessary emissions through 2037.

Updated Cost Containment Reserve: To ensure availability of RGGI allowances to meet grid reliability needs and protect against cost volatility, the states will update the Cost Containment Reserve (CCR), a reserve of allowances that can be made available at an auction if the auction clearing price exceeds a predetermined trigger price. Beginning in 2027, a second tier of CCR allowances will be available at auction at a 50% higher trigger price than the existing first tier of CCR allowances. This additional CCR allowance tier will ensure the availability of allowances to meet grid reliability needs, while the higher trigger price will mitigate against the release of a windfall of allowances. If the entire first tier of CCR allowances are released and sold in every year, the updated regional cap trajectory will provide a 77% cap reduction by the year 2037, relative to the 2024 cap. If both tiers of CCR allowances are released and sold in every year, the updated regional cap trajectory will still provide a 63% cap reduction by the year 2037, relative to the 2024 cap.

Increased Minimum Reserve Price: The RGGI states will raise the minimum reserve price, the lowest price at which RGGI allowances may be sold at auction. In current RGGI design, the Emissions Containment Reserve (ECR) is a reserve of allowances that can be withheld from an auction if the auction clearing price falls below a predetermined trigger price. The RGGI states will remove the ECR mechanism and replace it with an increased minimum reserve price of \$9.00 in 2027 that will increase thereafter at a rate of 7% annually, matching the existing Emissions Containment Reserve (ECR) trigger price trajectory. As a result, rather than a certain number of allowances being withheld if the auction price falls below a set trigger price, all allowances will be withheld below that price.

Removal of Offsets from RGGI Design: The participating states which still accept offset applications will no longer award or otherwise distribute offset allowances. During this Program Review, stakeholders raised concerns that offset allowances allow covered sources to meet their compliance goals without reducing emissions. RI

among other RGGI states stopped accepting offset applications as a result of the Second Program Review in 2017.

Commitment to the Fourth RGGI Program Review: The RGGI states are further committing to begin a Fourth Program Review no later than 2028. The Fourth Program Review will provide an early opportunity to evaluate the performance of the changes agreed to in the current review and to adjust the program if needed to ensure its continued success in contributing to a reliable, affordable, clean electricity supply.

Additional Information and Public Comments:

All interested parties are invited to request additional information or submit written or oral comments concerning the proposed amendment until February 6, 2026 by contacting the appropriate party at the address listed below:

Dena Gonsalves
Department of Environmental Management
235 Promenade Street
Office of Air Resources
Providence, RI 02908
DEM.AirRGGI@dem.ri.gov

In accordance with R.I. Gen. Laws § 42-35-2.8, an oral hearing will be granted if requested by twenty-five (25) persons, by a governmental agency or by an association having at least twenty-five (25) members. A request for an oral hearing must be made within ten (10) days of the publication of this notice.

Regulatory Analysis Summary and Supporting Documentation:

The Office of Air Resources has determined that the proposed regulation will not have a significant adverse economic impact on small businesses and/or any city or town.

For full regulatory analysis or supporting documentation contact the agency staffperson listed above.