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## Are We Saving the World Yet? RGGI Starts and So Does the Spin

September 29, 2008, the East Coast trading program—the [Regional Greenhouse Gas Initiative](#) or "RGGI," had its first market-launching auction. The "market clearing price," the price where supply and demand were equal, was \$3.07 per TON of carbon.

The Spin Machine at RGGI immediately got to work, announcing that the program was "[off to a strong start.](#)" Yeah. Right.

Basically, [since it has been clear for more than a year that RGGI was over allocated](#), there were two things that could happen. Either all of the allocations would not sell, because there were more than needed, and the price would not rise above the price "floor" of \$1.86 set by RGGI; or all of the allocation would be sold and held as "investments", which would push the price slightly higher. Either way, people knew the program won't do anything to reduce greenhouse gas emissions. The [New York Times reported](#) on September 15th:

"The supply of allowances is more than what the market needs," said Milo Sjardin, Head of the North America division of New Carbon Finance, a research and analysis firm. "Prices are not going to be high, not for the foreseeable future." He also noted that the market was also "not going to produce a lot of emission reductions" as long as the supply of allowances outstrips utilities' need."

So, the "market" took the option of buying everything available as an investment. Probably a better idea than [leaving the money in a bank.](#)

You know, even [dry grass costs \\$257 more than carbon!](#) Is it too cynical of me to ask what kind of impact they expect \$3.07 a ton to have? The [Wall Street Journal's environmental blog](#) sized up the situation like this:

So will RGGI's new carbon price tag drive big changes in power generation? Not likely. Any price above \$5 a ton makes traditional coal less attractive, granted, and makes utilities prefer natural gas for power plants. But thanks to lowish prices for the stuff, utilities are already diving massively into cleaner-burning natural gas, anyway—that's one reason the ten states in RGGI have more wiggle room than they expected under the program.

The low price tag won't do much to promote "clean coal," either. An Aus-

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tralian study [estimates](#) that carbon has to cost at least \$25 a ton just to cover the added expense of sticking coal-plant emissions underground—and that doesn't include the added expense of building and running clean-coal plants in the first place. Nuclear power fares even worse. The Congressional Budget Office [figures](#) carbon has to cost at least \$45 a ton for nuclear economics to make sense. Neither RGGI's early auction, or any of the climate-change bills rattling around Washington, come close to putting such a high price tag on carbon.

Over time, as other regional schemes like the Western Climate Initiative kick off, and Washington designs its own nationwide scheme, the price of carbon might raise enough to make a difference. But for now, RGGI's cautious approach doesn't appear it will make much difference.

If you ask, the enviros and business supporting this scheme will say the important thing isn't that the price is high, but that the auction "worked." As in, "look, ma, we know how to operate an auction!" But "working" doesn't actually mean reducing greenhouse gas emissions? So, how does that "work"?

When do we get to saving the planet from climate collapse? In case you haven't heard-TIME IS OF THE ESSENCE. As NASA scientist [James Hansen said in 2006](#):

"I think we have a very brief window of opportunity to deal with climate change ... no longer than a decade, at the most."