

## USA - Massachusetts Limits on Emissions from Electricity Generators

### General Information

Summary	<p><b>Status:</b> ETS in force</p> <p><b>Jurisdictions:</b> Massachusetts</p> <p>In 2016, a ruling by the Massachusetts Supreme Court established that the government would need to take additional action to guarantee that the state's climate targets, a 25% reduction in 2020 and an 80% reduction by 2050 (compared to 1990), are met.</p> <p>In response, several regulations were released, among them the Massachusetts' Department of Environmental Protection's (MassDEP) 310 CMR 7.74. This regulation is structured as a cap-and-trade program, but is intended to ensure that emissions reductions associated with other clean energy programs occur in Massachusetts, not to provide a significant independent incentive to reduce emission. The system began operation in January 2018. The first program review will be in 2021, with a review every ten years thereafter. The system exists in parallel to, but does not directly interact with, the Regional Greenhouse Gas Initiative.</p>																		
Overall GHG emissions (excluding LULUCF)	<p><b>Emissions:</b> 74.8 MtCO<sub>2</sub>e MtCO<sub>2</sub>e (2014)</p>																		
Overall GHG emissions by sector	<table border="1"> <thead> <tr> <th>Sector Name</th> <th>MtCO<sub>2</sub>e</th> </tr> </thead> <tbody> <tr> <td>Industry</td> <td>7.5</td> </tr> <tr> <td>Agriculture</td> <td>0.3</td> </tr> <tr> <td>Residential</td> <td>14.1</td> </tr> <tr> <td>Commercial</td> <td>7.2</td> </tr> <tr> <td>Waste</td> <td>0.8</td> </tr> <tr> <td>Electricity</td> <td>14.8</td> </tr> <tr> <td>Transport</td> <td>29.3</td> </tr> <tr> <td>Natural Gas Systems</td> <td>0.8</td> </tr> </tbody> </table>	Sector Name	MtCO <sub>2</sub> e	Industry	7.5	Agriculture	0.3	Residential	14.1	Commercial	7.2	Waste	0.8	Electricity	14.8	Transport	29.3	Natural Gas Systems	0.8
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Overall GHG reduction target	<p>By 2020: 25% reduction compared to 1990.</p> <p>By 2050: 80% reduction compared to 1990 (Interim targets to be set).</p>																		
Type of ETS	Mandatory																		
Cap and trajectory	<p><b>Type of Cap:</b> 8.96 MtCO<sub>2</sub>e (2018)</p> <p>The cap declines annually by 2.5% of the 2018 cap, which corresponds to 223,876 tCO<sub>2</sub>e per year until it reaches a cap of 1.8 MtCO<sub>2</sub>e by 2050.</p>																		
Carbon Price	<p><i>Current Allowance Price (per t/CO<sub>2</sub>e):</i> NA</p>																		

## ETS Size

Emissions covered by the ETS	0.2
GHG covered	CO <sub>2</sub>
Sectors covered and thresholds	Power sector. Large electricity generators subject to RGGI (25 MWe).
Number of liable entities	21 (2018). Fossil fuel electricity generators with capacity of 25MWe or above are included.
Point of regulation	Downstream (at installation level)

## Phases & Allocation

Compliance period	<p>The compliance period is yearly: Compliance has to be demonstrated by 1 March of the subsequent year. Allowances can be traded year-round except for the month of March.</p> <p>Exceptions exist for emergencies occurring in the last 45 days of the calendar year, for which deferred compliance is available. Emergencies are defined as situations where the regional transmission organization has issued an alert that abnormal conditions affect the reliability of the power system exist or are anticipated.</p>
Trading period	<p>Allowances can be traded year-round except for the month of March.</p> <p>There is no distinction between trading and compliance period.</p>
Allocation	<p>In 2018, allowances are allocated freely based on prior production volumes (electricity generation). A reserve for new entrants also exists to allocate allowances to facilities beginning operation in 2018.</p> <p>From 2019 onwards, allowances will be auctioned. Auction proceeds will be paid to a segregated account and shall be used to further reduce GHG emissions. There will be at least one auction per year; with a default of quarterly auctions (that can be adjusted by the Executive Office of Energy and Environmental Affairs and its Massachusetts Department of Environmental Protection (MassDEP)).</p>

## Flexibility

Banking and borrowing	<p>Banking is allowed but restricted such that it is guaranteed that emissions in any year cannot exceed the emission limit of the prior year. This means that the total amount of allowances banked is, at maximum, the differential between last year's and this year's emission limit.</p> <p>This constraint is implemented by multiplying held allowances by a factor expressing the reduction between years (e.g. reduction of emission limit (223,876 tons)/emission limit from last year). Borrowing is not allowed, but the possibility of emergency deferred compliance exists (see "Trading/Compliance Period").</p>
Offsets and credits	There are no offsets.
Provisions for price management	The possibility of an auction reserve price is mentioned in the regulation. At this point, no reserve price is published as auctions will only start in 2019.

Other provisions for price management are not mentioned.

## Compliance

Monitoring, Reporting, Verification (MRV)	<p><b>Reporting frequency:</b> Regulated entities have to submit emission reports (by 1 February) and compliance certification reports (by 1 March) indicating emissions and the holding of sufficient allowances, respectively.</p> <p><b>Verification:</b> Documents (i.e. emissions reports and compliance certification reports) have to be certified and MassDEP may choose to verify compliance.</p> <p><b>Other:</b> Regulated entities are mandated to keep records and to grant access to information.</p>
Enforcement	<p>If the MassDEP establishes a violation of compliance, this will be presumed to constitute “a significant impact to public health, welfare, safety or the environment”.</p> <p>Apart from additional penalties, the regulated entity has to submit three additional allowances for each ton of non-compliance.</p>

## Other Information

Institutions involved	The Executive Office of Energy and Environmental Affairs and its Massachusetts Department of Environmental Protection (MassDEP).
Linkage with other schemes	No information available yet.

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