

# SEIF Financials



Maryland  
Energy  
Administration

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# Strategic Energy Investment Fund (SEIF)

Fund comprised of revenue from multiple sources intended to decrease energy demand and increase energy supply

- Revenues from Regional Greenhouse Gas Initiative (RGGI) Auctions
- Renewable Portfolio Standard (RPS) Alternative Compliance Payments (ACP)
- Public Service Commission (PSC) orders

Each revenue source comes with specific usage directives

# Strategic Energy Investment Fund (SEIF)

Guiding statute: § 9-20B

SEIF statute directs the allocation of revenues from RGGI auctions to various sub-accounts

Annual appropriations direct expenditures from sub-accounts

Maryland Department of the Environment (MDE) provides management & oversight of the RGGI auction program of allowances

MEA administers the SEIF

# Strategic Energy Investment Fund (SEIF)

## MEA's 3 Prime Directives in Administering the SEIF per § 9-20B-05

- Ensure SEIF resources are utilized only to carry out the purposes of the Program
- Fund may not be used for the general obligations of government
- Fund expenditures only made by an appropriation or budget amendment

# RGGI Revenue Allocation to SEIF Sub-Accounts

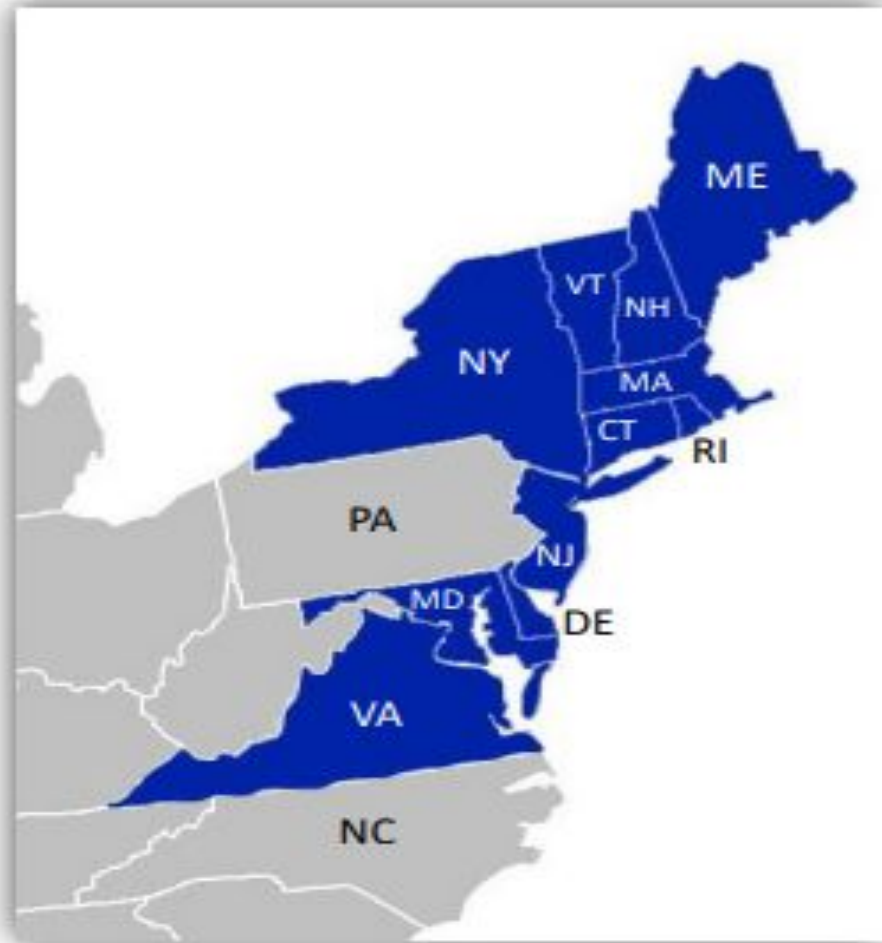
DHS/EUSP	At Least	50%
EE L/M	At Least	10%
EE Other	At Least	10%
RE	At Least	20%
Admin	Up to	10%*
*Not to Exceed \$5M		

# What is RGGI?



- Eastern states cap-and-invest initiative
- Individual state CO<sub>2</sub> budget trading programs
- Regulations aligned with Model Rule
- Power sector: fossil generators 25+ MW\*
- State-issued CO<sub>2</sub> allowances
- Regional auctions
- Fungible, bankable, and tradable
- 2022 cap: 137.7 million tons

# Why RGGI?



- Early regional bi-partisan recognition of need to reduce GHG emissions
- Opportunity for leadership on climate action
- Continued need to reduce emissions
- Power sector has potential for transformational GHG reductions
- Regional nature creates economic efficiencies
- State sovereignty over proceeds/investments

# RGGI Market

## Regional CO<sub>2</sub> allowance auctions

- Quarterly
- Notice and application materials
- Centralized registry platform (RGGI COATS)
  - Allowance tracking
  - Emissions tracking
  - Compliance processing
  - Offsets projects
- Independent market monitor
  - Regional auctions
  - Secondary market



# RGGI Auction Price Mechanics

**Minimum Reserve Price:** As specified in Participating State regulations, the Minimum Reserve Price in calendar year 2014 was \$2.00. Each calendar year thereafter, the Minimum Reserve Price is increased by 2.5% from the previous calendar year, rounded to the nearest whole cent.

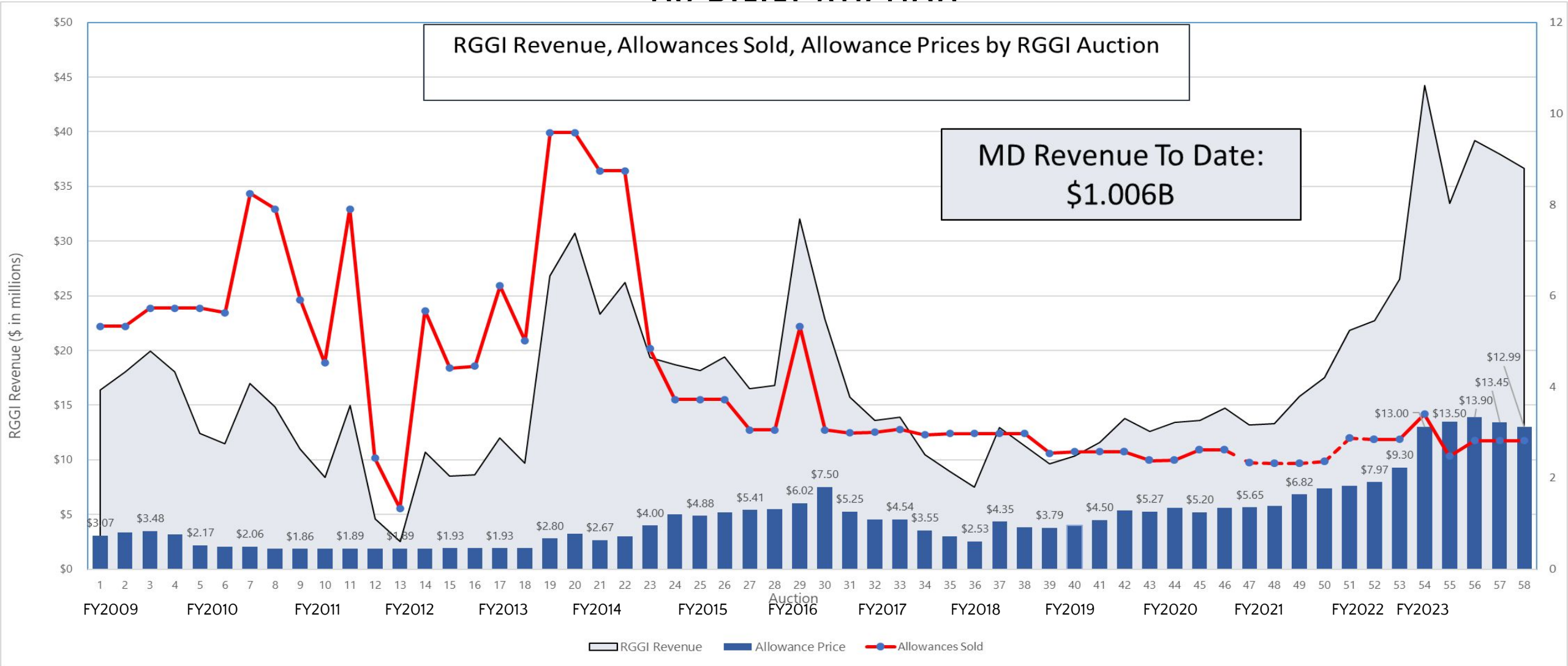
**Cost Containment Reserve (CCR):** Designed to moderate the price of CO<sub>2</sub> Allowances if the demand for allowances exceeds the Initial Offering (i.e., the CO<sub>2</sub> Allowances that are offered for sale upon the opening of the auction) and the Interim Clearing Price exceeds the CCR Trigger Price. The CCR consists of 10% of the annual base budgets of the states. The CCR Trigger Price is the price which, if exceeded by the Interim Clearing Price, triggers a release of CO<sub>2</sub> allowances from the CCR. The CCR Trigger Price was established at \$13.00 for 2021 and will increase by 7% of the previous year each year thereafter.

**The Emissions Containment Reserve (ECR):** Designed to secure additional emissions reductions if the demand for allowances is close to the Initial Offering. The ECR consists of 10% of the annual base budgets of the states<sup>2</sup> implementing the ECR. ECR Allowances are withheld, up to the ECR limit, if the Interim Clearing Price is less than the ECR Trigger Price. The ECR Trigger Price was established at \$6.00 for 2021 and will increase by 7% of the previous year each year thereafter.

# RGGI Auction 58 Results

- Auction Date: December 7, 2022
- Total Allowances Sold: 22,233,203
- Clearing Price: \$12.99
- Total Auction Proceeds: \$288,809,306.97
- Auction Proceeds to Maryland: \$36,647,882
- Cost Containment Reserve (CCR): 0 CCR allowances were sold.
  - The CCR is a fixed additional supply of allowances that are made available for sale if an auction's interim clearing price exceeds a certain price level (\$12.99 in 2022). 11.6 million cost containment reserve (CCR) allowances were available for sale.
  - NEXT Auction March 8, 2023

# RGGI Revenue, Allowances Sold, Allowance Prices by RGGI Auction



# SEIF Revenues

Revenues	<u>FY2022</u>	<u>FY2023</u>
RGGI Proceeds	143.4	126.2*
TIER 1 RE ACP (LMI Solar ACP)	<u>77.1</u>	<u>80</u>
Fund Interest	<u>.81</u>	<u>1.0</u>
Total	221.3	207.2*

FY23 RGGI Proceeds are estimates.

# SEIF FY23 Status of Funds

\$ Millions

Cash Balance as of 6/30/2022		448.8
Less Prior Year Outstanding Encumbrances (MEA) <sup>1</sup>	-90.7	
Less Prior Year Outstanding Commitments (Non MEA)	-114.7	
Available Fund Balance for FY2023	237.4	
FY2023 Revenue Projection (@ with budget mechanism) <sup>2</sup>	166.2	
FY2023 Appropriations & Budget Amendment <sup>2</sup>	-125.6	
Projected Funds Available EOY <sup>3</sup>		**278.1

<sup>1</sup> Encumbrance value includes program related FY2022 accruals and revenue recognition

<sup>2</sup> MEA is exploring existing budget mechanisms to increase EE and RE program funding in FY2023

<sup>3</sup> RGGI auction revenue in excess of the budgeted price are not included the funds available calculation for FY2023.

# SEIF Uses of Funds (\$ Millions)

	2021 <u>Actual</u>	2022 <u>Actual</u>	2023 <u>Approp.</u>
Dept of General Services (DGS)	0.5	3.5	3.8
Dept of Housing & Community Development (DHCD)	.016	0	0
Dept of Human Services (DHS)	19.9	31.9*	82.8
Dept of Natural Resources (DNR)	.5*	0	0
MD Dept of Environment (MDE)			
Includes RGGI Inc. Dues	2.71	2.85	3.85
MD Dept of Health (MDH)	2	2	1
MD Dept of Labor (MDL)	0.45*	1.0*	1.0
MD Energy Administration (MEA)	30.2	65.8	104
State Fleet EV Purchase Reimb.	1*	2.25*	1.25*
EV Excise Tax Rebate	0	8.2	0
MD Energy Innovation Institute (MEII)	1.5	2.1	2.1
MD Dept of Commerce	0.2*	0.5*	0.5*
<b>Total</b>	<b>58.9</b>	<b>111.9</b>	<b>200</b>

# Budget

\$ Millions

Breakout	FY23	FY24 (Request )
Administration	\$5.1	\$6.8
Energy Efficiency Low-to-Moderate Income	\$20M	\$20M
Energy Efficiency All Other Sectors	\$15.9	\$31.6
Renewable and Clean Energy Programs	\$84.5	\$99.8

# Federal Funds

FY22 Infrastructure Investment and Jobs Act (IIJA)	
<b>\$7.1M</b>	
SolarAPP+ Implementation Support to Permitting Offices	\$3.8M
Analysis of Clean Energy Development Options for the reuse of Fossil and Industrial Sites	\$ 1.2M
MEA Energy Program Long Range Plan (study or technical analysis)	\$1M
Administration	\$1.1
Additional Funds:	
Energy Efficiency Revolving Loan Fund Capitalization Funding	\$1.65M
Various Competitive Grant Opportunities	varioius





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