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## **RGGI Auction Yields \$83.4 Million for Investment in Energy Efficiency, Job Creation**

*Current Control Period Allowances Sold at \$1.89*  
*Future Control Period Allowances Sold at \$1.89*

(NEW YORK, NY) – The ten states participating in the Regional Greenhouse Gas Initiative (RGGI), the nation's first market-based regulatory program to reduce greenhouse gas emissions, today announced the results of their 11<sup>th</sup> quarterly auction of carbon dioxide (CO<sub>2</sub>) allowances. The auction, held Wednesday, March 9<sup>th</sup>, yielded \$83,425,588 for states to invest in programs that enable energy consumers — households, factories, farms and small businesses — to control their energy budgets.

All of the of the 41,995,813 current control period CO<sub>2</sub> allowances (2009-2011) offered in the auction sold at a price of \$1.89 per allowance. Thirty-six entities submitted bids to purchase 1.1 times the available supply of allowances. Electric generators and their corporate affiliates purchased 85 percent of the current control period allowances.

States also offered a smaller number of CO<sub>2</sub> allowances for a future control period (2012-2014). All of the 2,144,710 future control period allowances offered in the auction sold at a price of \$1.89 per allowance. Seven entities submitted bids to purchase 1.4 times the available supply of allowances. Electric generators and their corporate affiliates purchased 56 percent of the future control period allowances.

As they have for each previous auction, the participating states published a report from the independent market monitor with aggregate auction results and a list of all qualified participants that submitted an intent to bid in the auction. According to the market monitor's report, electric generators and their corporate affiliates have won 85 percent of all CO<sub>2</sub> allowances sold in Auctions 1-11 and will hold 97 percent of CO<sub>2</sub> allowances in circulation following the settlement of Auction 11. Additional details may be found in the *Market Monitor Report for Auction 11*, appended below.

"The RGGI states have put in place the infrastructure for a reliable, secure North American carbon market," said David Littell, a Commissioner of the Maine Public Utilities Commission and Chair of the Regional Greenhouse Gas Initiative, Inc. Board of Directors. "The RGGI auctions continue to provide power plants with the carbon allowances they need, and states will continue to invest millions from the RGGI auctions for energy bill savings, new jobs and improved business competitiveness."

States are investing proceeds from the RGGI auctions, now more than \$860.9 million, in programs to save energy consumers money, create jobs and make businesses more competitive.

For example, Maine is investing a portion of its RGGI proceeds to implement large-scale energy efficiency projects in commercial and industrial facilities. Irving Forest Products in Dixfield, Maine and Moose River Lumber in Jackman, Maine are just two of 19 companies that received RGGI-funded grants from Efficiency Maine's Large Projects Grant Program in 2010. Together, the sawmills are investing more than \$1.5 million to enhance long-term viability through energy

efficiency. According to Susan Coulombe, divisional manager at Irving Forest Products, the project will enable the Dixfield sawmill to produce 25 percent of its electricity on site, saving enough money to sustain 235 jobs. Moose River Lumber anticipates adding at least three jobs while retaining the 66 full-time and 5 part-time workers currently employed.

Similarly, Maryland is investing RGGI proceeds to help the state's farmers control their energy budgets. Through July 2010, Maryland's Farm Energy Technical Assistance and Incentive Program helped more than 350 farmers implement electricity and fuel-focused energy efficiency projects. The program, recognized by the American Council for an Energy Efficient Economy as one of the five most outstanding energy efficiency programs in the U.S. in 2010, will save the farmers a collective total of more than \$15 million in energy costs over the lifetime of the projects.

In Vermont, RGGI proceeds are invested to improve building performance and heating system efficiency, thereby creating jobs, saving Vermonters money and reducing Vermont's greenhouse gas emissions. The state's Energy Efficiency Utility combines RGGI proceeds with other funding sources to provide services that enable residents and businesses to use "unregulated" heating fuels, such as fuel oil, propane and wood, more efficiently. These fuels account for more than 80 percent of Vermont's space-heating and industrial-process heat requirements.

In New York, RGGI proceeds are a catalyst, leveraging federal, state and private investments to revitalize local economies. For example, the Village of Patchogue on Long Island used \$27,000 in RGGI proceeds to identify energy efficiency opportunities as part of a proposal to upgrade its waste water treatment plant. This analysis made Patchogue eligible for \$11.4 million in federal and state funds, which it received for its proposed upgrade. Once federal and state dollars were committed, Patchogue was on its way to having the infrastructure to support downtown community revitalization and attracted more than \$100 million in private investments. This investment made downtown Patchogue come alive. Blighted properties are now gone. In their place are 175 market rate residential units, 125 affordable housing units and five new restaurants. "Sewers. Without them, nothing would have happened in our downtown," said Village of Patchogue Mayor Paul Pontieri.

RGGI-funded programs are also giving rise to new businesses. Shad Lawton and Jamie Myers are just two of more than 170 New Hampshire professionals to receive energy efficiency job training through a new RGGI-funded Building Analyst program offered through Lakes Region Community College and five other locations across the state. After graduating from the program in 2009, Lawton and Myers decided to found NHNRG, a full-service energy auditing and building performance contractor, in Lisbon, New Hampshire. As a company, they have conducted more than 140 energy audits and performed more than 80 building retrofits.

According to Mr. Lawton, "The key components of the audits that we are now doing every day are taught in the Building Analyst course. We had a very busy year in 2010, but there is enough housing stock in the North Country alone to keep several companies busy for years to come."

These examples show how projects funded with RGGI proceeds are building state economies with new jobs and savings for energy consumers. To learn more visit:

[http://www.rggi.org/docs/Investment\\_of\\_RGGI\\_Allowance\\_Proceeds.pdf](http://www.rggi.org/docs/Investment_of_RGGI_Allowance_Proceeds.pdf).

The next RGGI auction is scheduled for June 8, 2011.

### ***About the Regional Greenhouse Gas Initiative***

The 10 Northeast and Mid-Atlantic states participating in RGGI (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Jersey, New Hampshire, New York, Rhode Island and Vermont) have implemented the first market-based, mandatory cap-and-trade program in the U.S. to reduce greenhouse gas emissions. Power sector CO<sub>2</sub> emissions are capped at 188 million short tons per

year through 2014. The cap will then be reduced by 2.5 percent in each of the four years 2015 through 2018, for a total reduction of 10 percent.

A CO<sub>2</sub> allowance represents a limited authorization to emit one short ton of CO<sub>2</sub>, as issued by a respective participating state. A regulated power plant must hold CO<sub>2</sub> allowances equal to its emissions to demonstrate compliance at the end of each three-year control period. The first control period for fossil fuel-fired electric generators under each state's CO<sub>2</sub> Budget Trading Program took effect on January 1, 2009 and extends through December 31, 2011. Allowances for the first (2009-2011) control period may be used to meet current compliance obligations, or may be banked for use in future control periods. CO<sub>2</sub> allowances for the second (2012-2014) control period can only be used to meet compliance obligations beginning in 2012. CO<sub>2</sub> allowances issued by any participating state are usable across all state programs, so that the ten individual state CO<sub>2</sub> Budget Trading Programs, in aggregate, form one regional compliance market for CO<sub>2</sub> emissions. For more information please visit: [www.rggi.org](http://www.rggi.org).

***About Regional Greenhouse Gas Initiative, Inc.***

Regional Greenhouse Gas Initiative, Inc. (RGGI, Inc.) was created in September 2007 to provide technical and administrative services to the states participating in the Regional Greenhouse Gas Initiative. RGGI, Inc. is a 501(c) (3) nonprofit organization. For more information please visit: [www.rggi.org/rggi](http://www.rggi.org/rggi).

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**RGGI Inc.**



**MARKET MONITOR REPORT  
FOR AUCTION 11**

**Prepared for:**

**RGGI, Inc., on behalf of the RGGI Participating States**

**Prepared By:**

**POTOMAC  
ECONOMICS**

March 11, 2011

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This report was prepared by Potomac Economics (the contractor) in the course of performing work contracted for and sponsored by RGGI, Inc. on behalf of the RGGI Participating States (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont). The opinions expressed in this report do not necessarily reflect those of RGGI, Inc. or any of the Participating States, and reference to any specific product, service, process, or method does not constitute an implied or expressed recommendation or endorsement of it. Further, RGGI, Inc., the Participating States, and the contractor make no warranties or representations, expressed or implied, as to the fitness for particular purpose or merchantability of any product, apparatus, or service, or the usefulness, completeness, or accuracy of any processes, methods, or other information contained, described, disclosed, or referred to in this report. RGGI, Inc., the Participating States, and the contractor make no representation that the use of any product, apparatus, process, method, or other information will not infringe privately owned rights and will assume no liability for any loss, injury, or damage resulting from, or occurring in connection with, the use of information contained, described, disclosed, or referred to in this report.

The Regional Greenhouse Gas Initiative (RGGI) is a cooperative effort by participating states to reduce emissions of carbon dioxide (CO<sub>2</sub>), a greenhouse gas that causes global warming.

RGGI, Inc. is a non-profit corporation created to provide technical and administrative services to the CO<sub>2</sub> Budget Trading Programs of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont.

## MARKET MONITOR REPORT FOR AUCTION 11

As the Market Monitor for the RGGI CO<sub>2</sub> allowance market, Potomac Economics monitors the conduct of market participants in the auctions and in the secondary market to identify indications of market manipulation or collusion. We also review the administration of the auctions by World Energy Solutions. This report summarizes our findings regarding RGGI Auction 11, which was held on March 9, 2011.

We observed the auction as it occurred and have completed our review and analysis of its results. Based on our review of bids in the auction, we find no material evidence of collusion or manipulation by bidders.

A large number of bidders participated in the offering of CO<sub>2</sub> allowances for the current control period (with 2010 and 2011 vintage years). Thirty-six entities submitted bids to purchase 1.1 times the available supply of allowances, resulting in a clearing price equal to the reserve price of \$1.89 per ton. Compliance entities or their affiliates purchased 85 percent of the allowances in the offering.

A small number of allowances were auctioned for a future control period (with a 2014 vintage year). Seven entities submitted bids to purchase 1.4 times the available supply of allowances, resulting in a clearing price equal to the reserve price of \$1.89 per ton. Compliance entities or their affiliates purchased 56 percent of the allowances in the offering.

Based on our review of the administration of the market, we found that:

- The auction was administered in a fair and transparent manner in accordance with the noticed auction procedures and limitations.
- The auction results were consistent with the market rules and the bids received.
- Sensitive information was treated appropriately by the auction administrator.
- There were no indications of significant hardware or software problems, communications issues, security breaches, or other problems with the auction platform.

In summary, the results of our monitoring of RGGI Auction 11 raise no material concerns regarding the auction process, barriers to participation in the auction, or the competitiveness of the auction results. The appendix provides additional information about the market for RGGI CO<sub>2</sub> allowances and outcomes of the auction.

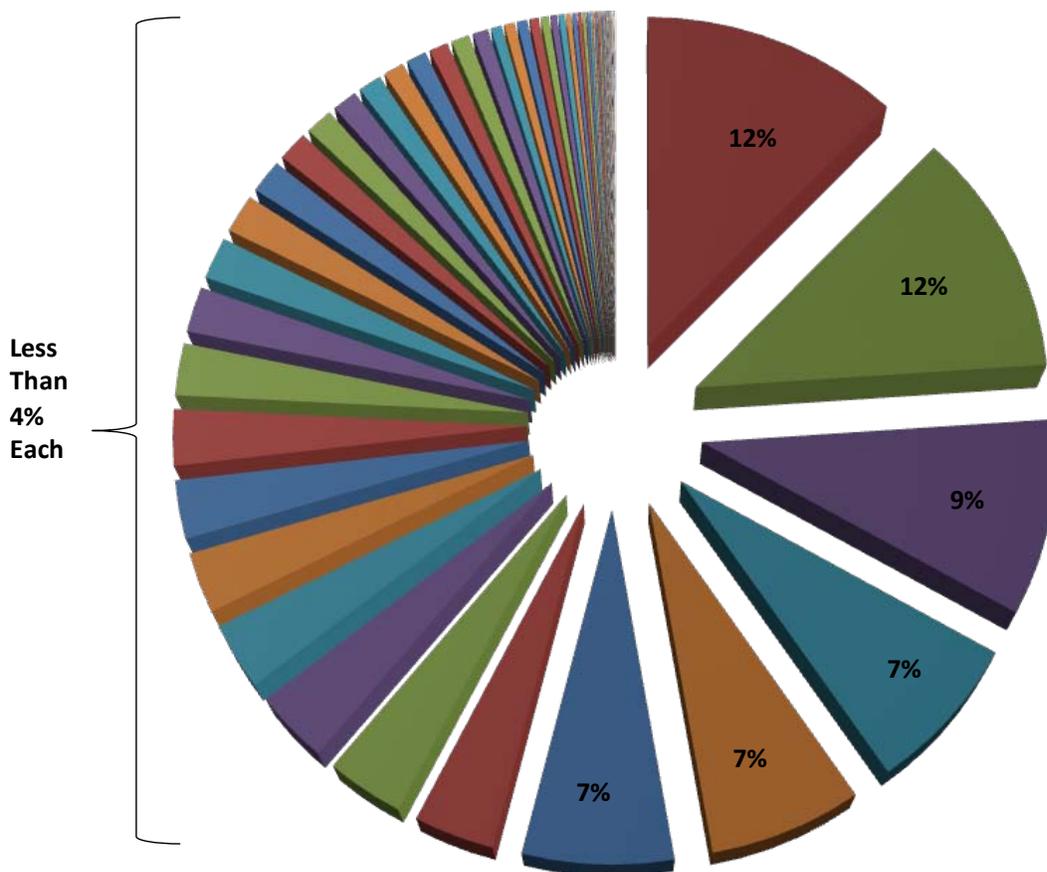
**APPENDIX**

**A. DISPERSION OF PROJECTED DEMAND**

*The wide dispersion of projected demand for RGGI allowances across compliance entities facilitates the competitive performance of the auction.*

The following figure shows the relative shares of projected demand for RGGI allowances by compliance entity in the current control period. The largest compliance entity represents only 12 percent of the total projected demand for allowances. Almost half of the projected demand is composed of entities that each account for less than 4 percent of the total demand. Participation by a large number of entities facilitates the competitive performance of the auction.

**Figure 1: Projected Demand for RGGI Allowances Shares by Compliance Entity**



## B. DISPERSION OF BIDS IN AUCTION 11

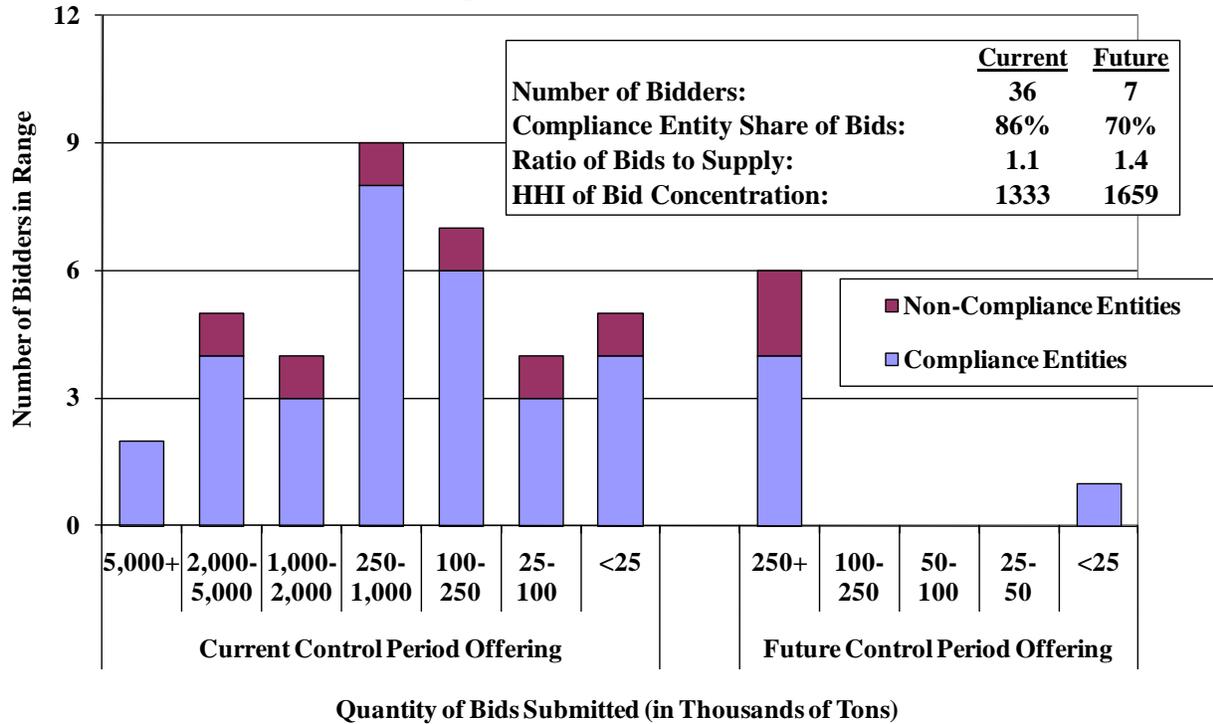
*In the offering of current control period allowances, bids were submitted by a large number of compliance entities and several non-compliance entities. A small number of allowances was also auctioned in advance for a future control period, with participation by five compliance entities or their affiliates and two non-compliance entities. In our review of the bids and the qualification process, we found no material evidence of anti-competitive conduct or significant barriers to participation.*

The following figure summarizes the quantities of allowances for which bids were submitted in the two offerings. In the offering of current control period allowances, six compliance entities and one non-compliance entity submitted bids for a large quantity of allowances (e.g., at least 2 million tons or 5 percent of the available supply). Overall, compliance entities accounted for 86 percent of the quantity of allowances for which bids were submitted in the offering of current control period allowances. The quantity of allowances for which bids were submitted increased to 1.1 times the available supply in Auction 11 from 0.57 times the available supply in Auction 10 and 0.75 times the available supply in Auction 9.

In the offering of future control period allowances, four compliance entities and two non-compliance entities submitted bids for large shares of the allowances for sale (e.g., at least 250 thousand tons or 10 percent of the available supply). Overall, compliance entities accounted for 70 percent of the quantity of allowances for which bids were submitted in the offering of future control period allowances. The quantity of allowances for which bids were submitted was 1.4 times the available supply. This increased from 0.55 times the available supply in Auction 10 and 0.61 times the available supply in Auction 9.

The bid quantities were widely distributed among the 36 bidders in the offering of current control period allowances. The concentration of bids, using the Herfindahl-Hirschman Index (“HHI”), was relatively low at 1333. Fewer entities submitted bids in the offering of future control period allowances, leading the concentration of bids to be higher (1659). The HHI is a standard measure of concentration calculated by squaring each entity’s share and then summing the squares across all entities (hence, the index ranges from 0 to 10,000).

Figure 2: Quantity of Bids Submitted by Entity  
By Type of Entity and Quantity Bid



C. SUMMARY OF PURCHASES OF ALLOWANCES IN AUCTION 11

*In the offering of current control period allowances, awards were widely distributed across 36 bidders with six bidders purchasing two million tons or more, ten bidders purchasing one million tons or more, and 17 bidders purchasing 250,000 tons or more. In the offering of future control period allowances, awards were distributed across six bidders with three bidders purchasing 500,000 tons or more.*

*Compliance entities or their affiliates purchased 85 percent of the allowances in the offering of current control period allowances and 56 percent of the allowances in the offering of future control period allowances.*

The share of allowances purchased and several other quantities are reported for each of three types of entities:

- *Compliance Entities:* This includes all compliance entities and their affiliates. In this report, affiliated firms are firms that: (i) have a parent-subsidary relationship with a compliance entity, (ii) are subsidiaries of a parent company that has a large interest in a compliance entity, (iii) have substantial control over the operation of a budget source and/or responsibility for acquiring RGGI allowances to satisfy its compliance obligations.
- *Environmental/Individuals:* This includes non-compliance entities describing themselves as “Environmental Groups” or “Individual Person” in their qualification application.
- *Other Non-Compliance Entities:* This includes all other non-compliance entities.

The following statistics summarize the purchases and holdings of allowances by compliance entities and their affiliates under the RGGI program:

- In Auction 11, compliance entities and their affiliates purchased:
  - ✓ 85 percent of the current control period allowances sold, and
  - ✓ 56 percent of the future control period allowances sold.
- In the first eleven RGGI auctions, compliance entities and their affiliates purchased:
  - ✓ 85 percent of the current control period allowances sold,
  - ✓ 91 percent of the future control period allowances sold, and
  - ✓ 85 percent of all allowances sold.
- Compliance entities and their affiliates will hold 97 percent of the allowances in circulation following the settlement of allowances sold in Auction 11.

The following table shows the quantity of allowances purchased by each bidder. The identity of each bidder is masked, and the bidders are ranked according to the amount of allowances awarded, from largest to smallest.

**Table 1: Quantity of Allowances Awarded by Bidder**

<b>Bidder</b>	<b>Number of Current Control Period Allowances Awarded</b>	<b>Bidder</b>	<b>Number of Future Control Period Allowances Awarded</b>
Bidder 1	10,498,000	Bidder 1	536,000
Bidder 2	10,415,000	Bidder 2	536,000
Bidder 3	4,840,000	Bidder 3	536,000
Bidder 4	3,000,000	Bidder 4	400,000
Bidder 5	2,260,000	Bidder 5	124,710
Bidder 6	2,080,000	Bidder 6	12,000
Bidder 7	1,500,000		
Bidder 8	1,100,000		
Bidder 9	1,000,000		
Bidder 10	1,000,000		
Bidder 11	755,000		
Bidder 12	518,000		
Bidder 13	480,000		
Bidder 14	462,000		
Bidder 15	369,000		
Bidder 16	300,000		
Bidder 17	250,000		
Bidder 18	195,000		
Bidder 19	160,000		
Bidder 20	140,000		
Bidder 21	128,813		
Bidder 22	100,000		
Bidder 23	100,000		
Bidder 24	100,000		
Bidder 25	55,000		
Bidder 26	50,000		
Bidder 27	30,000		
Bidder 28	30,000		
Bidder 29	30,000		
Bidder 30	20,000		
Bidder 31	10,000		
Bidder 32	9,000		
Bidder 33	6,000		
Bidder 34	5,000		

**D. SUMMARY OF BID PRICES IN AUCTION 11**

*The distribution of bid prices submitted in the auction indicates that the demand for allowances was relatively elastic, which is a signal that the results were competitive.*

The following table reports several statistics regarding the bid prices for bids submitted in Auction 11. The median and mean bid prices are weighted by the quantity of each bid.

	<u>Current</u>	<u>Future</u>
<b>Bid Prices:</b>		
<b>Minimum</b>	<b>\$1.89</b>	<b>\$1.89</b>
<b>Maximum</b>	<b>\$6.39</b>	<b>\$2.06</b>
<b>Average (Median)</b>	<b>\$1.96</b>	<b>\$1.90</b>
<b>Average (Mean)</b>	<b>\$1.97</b>	<b>\$1.96</b>
<b>Clearing Prices:</b>	<b>\$1.89</b>	<b>\$1.89</b>

E. NAMES OF POTENTIAL BIDDERS IN AUCTION 11

In accordance with Section 2.8 of the Auction Notice for CO<sub>2</sub> Allowance Auction 11 on March 9, 2011, the Participating States are releasing the names of Potential Bidders in Auction 11. The states defined potential bidders as: “Each Applicant that has been qualified and submitted a complete *Intent to Bid*.” The list of 49 Potential Bidders is as follows:

AES Eastern Energy, LP	Hess Corporation (G)
Aircraft Services Corporation	Indeck-Corinth Limited Partnership
Algonquin Windsor Locks, LLC	Indeck-Olean Limited Partnership
ANP Funding I, LLC	Indeck-Oswego Limited Partnership
Astoria Generating Company, LP	Indeck-Yerkes Limited Partnership
Brick Power Holding, LLC	J-Power USA Development Co., Ltd.
Bridgeport Energy, LLC	Koch Supply & Trading, LP
Brooklyn Navy Yard Cogen Partners, LP	Logan Generating Company, LP
Caithness Long Island, LLC	Massachusetts Muni. Wholesale Elec. Co.
Calpine Energy Services, LP	Millennium Power Partners, LP
Carbon Lighthouse Association	Morgan Stanley Capital Group, Inc.
Cargill Power Markets, LLC	National Grid Gen. dba National Grid
Castleton Power, LLC	New Athens Generating Company, LLC
Chambers Cogeneration, LP	North American Energy Alliance, LLC
ConocoPhillips Company	NRG Power Marketing, LLC
Consolidated Edison Comp. of NY, Inc.	Power Authority of the State of New York
Constellation Energy Commodities Group	PPL EnergyPlus, LLC
Delaware Municipal Electric Corp.	PSEG Energy Resources & Trade, LLC
Dominion Energy Marketing, Inc.	Public Service Company of New Hampshire
Dynegy Marketing and Trade, LLC	RBC
Empire Generating Co., LLC	Selkirk Cogen Partners, LP
Energy Echelon, LLC	TAQA Gen X, LLC
EquiPower Resources	Verso Paper Corp.
GenOn Energy Management, LLC	Vitol Inc.
Green Mountain Power Corporation	