

**For Immediate Release  
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Contact: Jason Brown  
RGGI, Inc.  
212-417-3179  
[jason.brown@rggi.org](mailto:jason.brown@rggi.org)

## **38.7 Million CO<sub>2</sub> Allowances Sold At 20<sup>th</sup> RGGI Auction**

*CO<sub>2</sub> Allowances Sold at \$3.21*

NEW YORK, NY— The nine Northeastern and Mid-Atlantic states participating in the Regional Greenhouse Gas Initiative (RGGI), the nation's first market-based regulatory program to reduce greenhouse gas pollution, today announced the results of their 20<sup>th</sup> auction of carbon dioxide (CO<sub>2</sub>) allowances.

38,782,076 CO<sub>2</sub> allowances were sold at the auction, held Wednesday, June 5, 2013, at a clearing price of \$3.21. The auction generated \$124.4 million for reinvestment by the RGGI states in a variety of consumer benefit initiatives, including energy efficiency, renewable energy, direct bill assistance, greenhouse gas abatement, and climate change adaptation programs.

Allowances sold represent 100 percent of the allowances offered for sale by the nine states. Bids for the CO<sub>2</sub> allowances ranged from \$1.98 to \$5.55 per allowance.

According to the independent market monitor's report, electricity generators and their corporate affiliates have won 86 percent of CO<sub>2</sub> allowances sold in RGGI auctions since 2008. Additional details are available in the *Market Monitor Report for Auction 20*, appended and available at [http://www.rrgi.org/docs/Auctions/20/Auction\\_20\\_Market\\_Monitor\\_Report.pdf](http://www.rrgi.org/docs/Auctions/20/Auction_20_Market_Monitor_Report.pdf).

"With twenty auctions completed, RGGI continues to generate hard data showing that market-based emission reduction programs are an effective way to realize environmental goals, save consumers money, and create jobs," said Collin O'Mara, Secretary of the Delaware Department of Natural Resources and Environmental Control and Chair of the RGGI, Inc. Board of Directors. "Delaware's reinvestment of auction proceeds in energy efficiency programs has not only avoided carbon pollution, but helped businesses and families reduce their electricity bills, and workers find jobs weatherizing homes, retrofitting outdated industrial equipment, and constructing more energy-efficient buildings."

"This auction again demonstrates how the involvement of compliance entities in the RGGI program has been a key reason for its success," said David Littell, a Commissioner of the Maine Public Utilities Commission and Vice-Chair of the RGGI, Inc. Board of Directors. "Whether they are helping us make improvements to the program, upgrading their facilities to be more efficient, or doing their everyday job of generating the energy we need to keep our computers running, our houses warm, and our lights on, compliance entities are essential partners in the RGGI states' effort to build a cleaner, more energy-efficient economy."

The next RGGI auction is scheduled for September 4, 2013. To receive announcements relating to future auctions and other RGGI news, please join the RGGI, Inc. mailing list at [http://www.rrgi.org/news/mailling\\_list](http://www.rrgi.org/news/mailling_list).

Auction 20 Results At-A-Glance	
Auction Date	June 5, 2013
Allowances Offered for Sale	38,782,076
Allowances Sold	38,782,076
Ratio of Bids to Supply	2.1
Clearing Price	\$3.21
Reserve Price	\$1.98
Proceeds from Auction 20	\$124,490,463.96
Total Cumulative Proceeds (All Auctions)	\$1,350,218,356.15
Number of Bidders in Auction 20	47
Percent of Allowances Purchased by Compliance Entities & their Corporate Affiliates in Auction 20	68%

More data is also available at: [http://www.rggi.org/market/co2\\_auctions/results](http://www.rggi.org/market/co2_auctions/results).

### **RGGI Program Review**

This is the second RGGI CO<sub>2</sub> allowance auction conducted since the RGGI states released an *Updated Model Rule and Program Review Recommendations Summary* on February 7, 2013. The *Updated Model Rule* will guide the RGGI states as they follow state-specific statutory and regulatory processes to propose updates to their CO<sub>2</sub> Budget Trading Programs. Each RGGI state seeks to complete their state-specific processes such that the proposed changes would take effect on January 1, 2014.

The changes outlined in the *Updated Model Rule and Program Review Recommendations Summary* build upon RGGI's success and strengthen the program moving forward.

Improvements include:

- A reduction of the 2014 regional CO<sub>2</sub> budget, "RGGI cap", from 165 million to 91 million tons – a reduction of 45 percent. The cap would decline 2.5 percent each year from 2015 to 2020.
- Additional adjustments to the RGGI cap from 2014-2020. This will account for the private bank of allowances held by market participants before the new cap is implemented in 2014. From 2014-2020 compliance with the applicable cap will be achieved by use of "new" auctioned allowances and "old" allowances from the private bank.
- Cost containment reserve (CCR) of allowances that creates a fixed additional supply of allowances that are only available for sale if CO<sub>2</sub> allowance prices exceed certain price levels (\$4 in 2014, \$6 in 2015, \$8 in 2016, and \$10 in 2017, rising by 2.5 percent, to account for inflation, each year thereafter.)
- Updates to the RGGI offsets program, including a new forestry protocol.

- Not reoffering unsold 2012 and 2013 CO<sub>2</sub> allowances.
- Requiring regulated entities to acquire and hold allowances equal to at least 50 percent of their emissions in each of the first 2 years of the 3 year compliance period, in addition to demonstrating full compliance at the end of each 3 year compliance period.
- Commitment to identifying and evaluating potential tracking tools for emissions associated with electricity imported into the RGGI region, leading to a workable, practicable, and legal mechanism to address such emissions.

More information, including the *Updated Model Rule* and accompanying materials are available at [www.rggi.org/design/program\\_review](http://www.rggi.org/design/program_review).

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

The Northeast and Mid-Atlantic states participating in the second RGGI control period (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont) have implemented the first mandatory market-based regulatory program in the U.S. to reduce greenhouse gas emissions. Power sector CO<sub>2</sub> emissions are capped at 165 million short tons for 2013.

RGGI is composed of individual CO<sub>2</sub> budget trading programs in each state, based on each state's independent legal authority. 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 state. A regulated power plant must hold CO<sub>2</sub> allowances equal to its emissions to demonstrate compliance for each three-year control period. RGGI's second control period began on January 1, 2012 and extends through December 31, 2014. For more information visit [www.rggi.org](http://www.rggi.org)

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

Regional Greenhouse Gas Initiative, Inc. (RGGI, Inc.) was created 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, visit: [www.rggi.org/rggi](http://www.rggi.org/rggi).

The RGGI auctions are administered by RGGI, Inc. and run on an on-line platform provided by World Energy Solutions, Inc.

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**MARKET MONITOR REPORT  
FOR AUCTION 20**

**Prepared for:**

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

**Prepared By:**



June 7, 2013

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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 states participating in RGGI (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont). The opinions expressed in this report do not necessarily reflect those of RGGI, Inc. or any of the states participating in RGGI, 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 states participating in RGGI, 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 states participating in RGGI, 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 the first mandatory market-based regulatory program in the U.S. to reduce greenhouse gas emissions. RGGI is a cooperative effort of Northeast and Mid-Atlantic states to reduce emissions of carbon dioxide (CO<sub>2</sub>) from the power sector.

RGGI, Inc. is a non-profit corporation created to provide technical and administrative services to the states participating in the Regional Greenhouse Gas Initiative.

## **MARKET MONITOR REPORT FOR AUCTION 20**

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 20, which was held on June 5, 2013.

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.

Forty-seven bidders participated in the offering of CO<sub>2</sub> allowances for the current control period. Bids were submitted to purchase 2.1 times the available supply of allowances, resulting in a clearing price of \$3.21 per ton. Compliance entities or their affiliates purchased 68 percent of the allowances in the offering. There was no indication of barriers to participation in the auction.

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 issues with the auction platform such as hardware or software problems, communications issues, or security breaches.

In summary, the results of our monitoring of RGGI Auction 20 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.

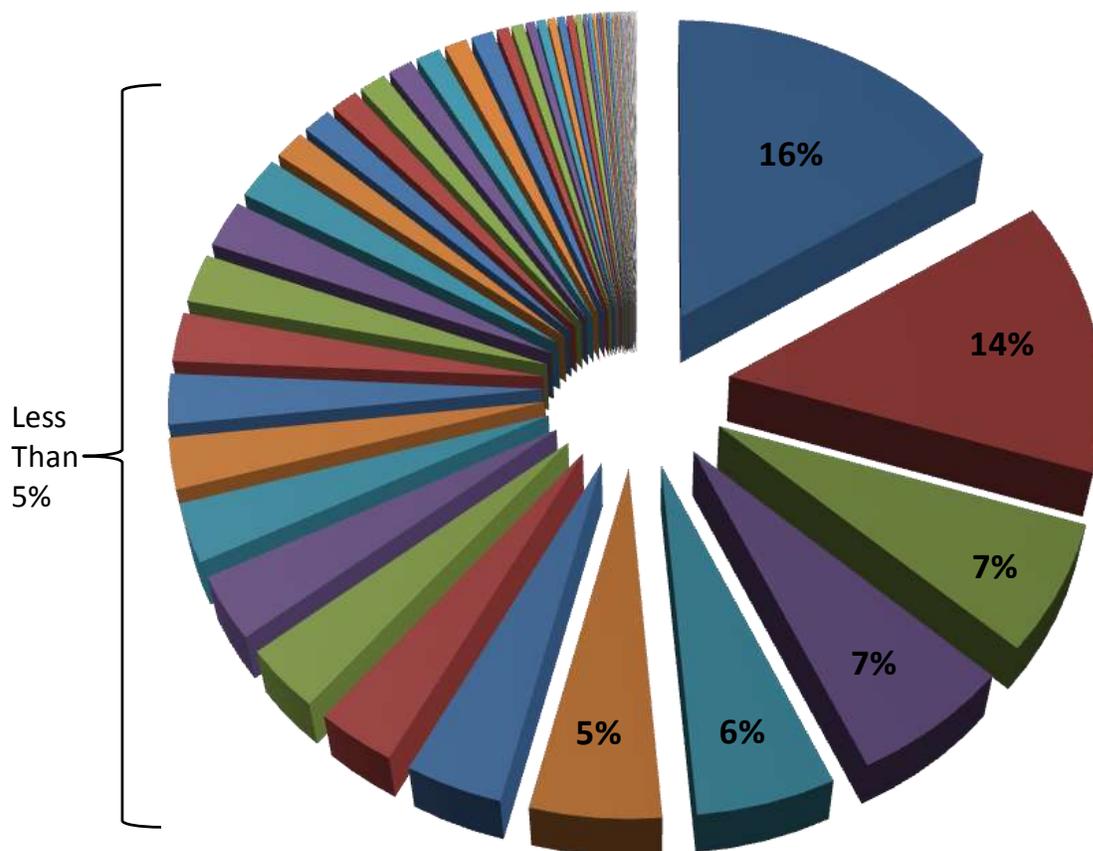
**APPENDIX**

**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 16 percent of the total projected demand for allowances. Nearly half of the projected demand is composed of entities that each account for less than 5 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**



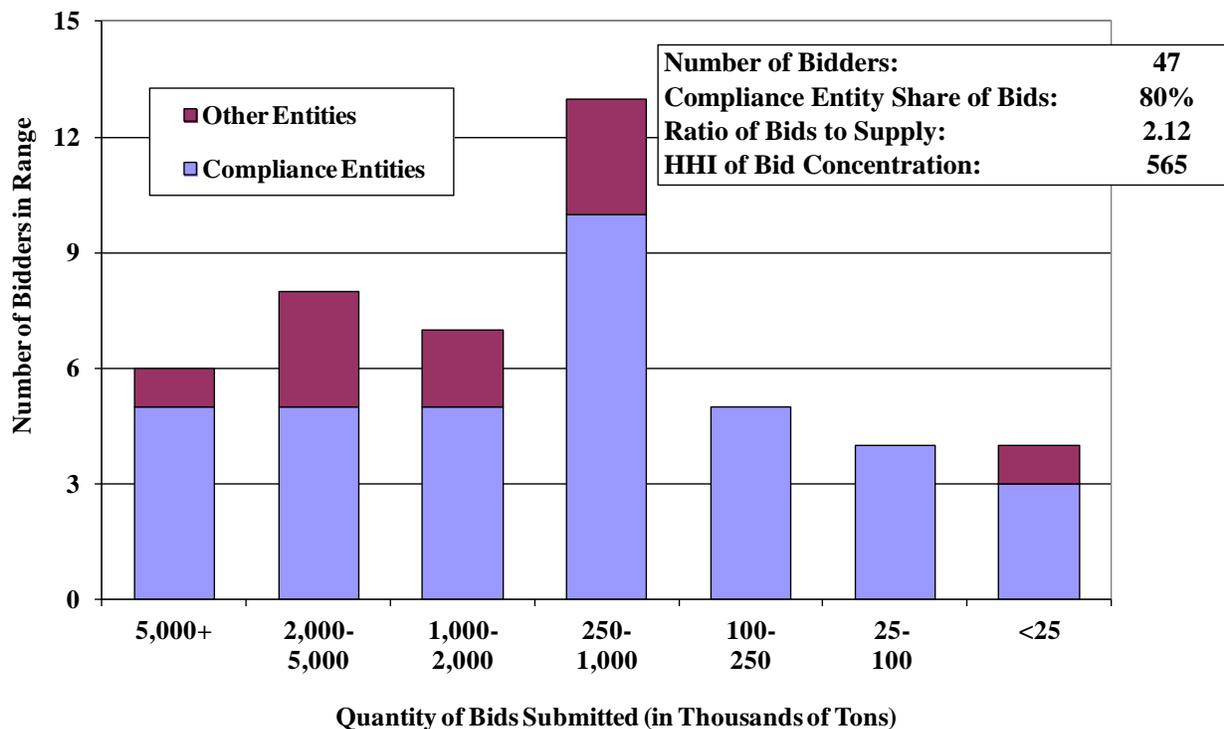
**B. DISPERSION OF BIDS IN AUCTION 20**

*In the offering of allowances for the current control period, bids were submitted by 37 compliance entities and ten other entities. In our review of the bids and the qualification process, we found no material evidence of anti-competitive conduct or inappropriate barriers to participation.*

The following figure summarizes the quantity of allowances for which bids were submitted by each bidder. Ten compliance entities and four other entities submitted bids for a large quantity of allowances (i.e., at least 2 million tons). Overall, compliance entities accounted for 80 percent of the quantity of allowances for which bids were submitted. The quantity of allowances for which bids were submitted was 2.1 times the available supply in Auction 20, down slightly from 2.2 times the available supply in Auction 19 and up considerably from 0.53 times the available supply in Auction 18.

The bid quantities were widely distributed among the 47 bidders. The concentration of bids, using the Herfindahl-Hirschman Index (“HHI”), fell from 638 in Auction 19 to 565 in Auction 20. 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 20

*In the offering of allowances for the current control period, awards were distributed across 43 bidders with four bidders purchasing three million tons or more and 25 bidders purchasing 300,000 tons or more. Compliance entities or their affiliates purchased 68 percent of the allowances in the auction.*

The share of allowances purchased and several other quantities are reported for 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.
- *Other Entities:* This includes all other entities without compliance obligations.

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

- In Auction 20, compliance entities and their affiliates purchased 68 percent of the allowances sold.
- In the first 20 RGGI auctions, compliance entities and their affiliates purchased 86 percent of the allowances sold.
- Compliance entities and their affiliates will hold 86 percent of the allowances in circulation following the settlement of allowances sold in Auction 20.

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**

Bidder	Number of Allowances Awarded
Bidder 1	5,000,000
Bidder 2	4,629,000
Bidder 3	4,000,000
Bidder 4	3,015,000
Bidder 5	2,160,000
Bidder 6	2,031,000
Bidder 7	1,750,000
Bidder 8	1,750,000
Bidder 9	1,490,000
Bidder 10	1,434,000
Bidder 11	1,174,076
Bidder 12	1,026,000
Bidder 13	800,000
Bidder 14	800,000
Bidder 15	800,000
Bidder 16	782,000
Bidder 17	700,000
Bidder 18	645,000
Bidder 19	600,000
Bidder 20	512,000
Bidder 21	500,000
Bidder 22	400,000
Bidder 23	300,000
Bidder 24	300,000
Bidder 25	300,000
Bidder 26	261,000
Bidder 27	250,000
Bidder 28	235,000
Bidder 29	225,000
Bidder 30	175,000
Bidder 31	160,000
Bidder 32	125,000
Bidder 33	112,000
Bidder 34	93,000
Bidder 35	85,000
Bidder 36	30,000
Bidder 37	30,000
Bidder 38	28,000
Bidder 39	25,000
Bidder 40	25,000
Bidder 41	12,000
Bidder 42	10,000
Bidder 43	3,000

**D. SUMMARY OF BID PRICES IN AUCTION 20**

*Bids were submitted across a wide range of prices in the auction and the clearing price of \$3.21 was relatively consistent with average bid prices submitted.*

The following table reports several statistics regarding the bid prices for bids submitted in Auction 20. The median and mean bid prices are weighted by the quantity of each bid.

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<b>Bid Prices:</b>	
<b>Minimum</b>	<b>\$1.98</b>
<b>Maximum</b>	<b>\$5.55</b>
<b>Average (Median)</b>	<b>\$3.17</b>
<b>Average (Mean)</b>	<b>\$3.08</b>
<b>Clearing Price:</b>	<b>\$3.21</b>

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### **E. NAMES OF POTENTIAL BIDDERS IN AUCTION 20**

In accordance with Sections 2.8 and 3 of the Auction Notice for CO<sub>2</sub> Allowance Auction 20 on June 5, 2013, the Participating States are releasing the names of Potential Bidders in Auction 20. The states defined potential bidders as: “Each Applicant that has been qualified and submitted a complete *Intent to Bid*.” The list of 55 Potential Bidders is as follows:

Astoria Energy, LLC	Indeck-Corinth Limited Partnership
Astoria Generating Company, LP	Jamestown Board of Public Utilities
Berkshire Power Company, LLC	Jordan Stutt
Brookfield Energy Marketing LP	J-Power USA Development Co., Ltd.
Brooklyn Navy Yard Cogen Partners, LP	Kleen Energy Systems, LLC
Caithness Long Island, LLC	Koch Supply & Trading, LP
Calpine Energy Services, LP	Laurence DeWitt
Castleton Commodities Merchant Trading, LP	Mercuria Energy America, Inc.
Castleton Power, LLC	Millennium Power Partners, LP
CE2 Carbon Capital, LLC	Morgan Stanley Capital Group, Inc.
ClimeCo Corporation	National Grid Gen. dba National Grid
Consolidated Edison Comp. of NY, Inc.	New Athens Generating Company, LLC
Dominion Energy Marketing, Inc.	NextEra Energy Power Marketing, LLC
DTE Energy Trading, Inc.	NRG Power Marketing, LLC
Dynegy Marketing and Trade, LLC	Panda Brandywine, LP
EDF Trading North America, LLC	Power Authority of the State of New York
Element Markets, LLC	Public Service Company of New Hampshire
Empire Generating Co., LLC	RBC
Entergy Rhode Island State Energy, LP	Selkirk Cogen Partners, LP
EquiPower Resources	Shell Energy North America (US), LP
Essential Power, LLC	TransCanada Power Marketing, Ltd.
Evolution Markets, Inc.	Twin Eagle Resource Management, LLC
Exelon Generation Company, LLC	Upstate New York Power Producers, LLC
Five Rings Capital, LLC	Verso Paper Corp.
Footprint Power Salem Harbor Operations, LLC	Village of Freeport
GenOn Energy Management, LLC	Vitol Inc.
Granite Ridge Energy, LLC	Wallingford Energy, LLC
Hess Corporation (G)	