

**For Immediate Release  
Friday, September 6, 2013**

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

## **21<sup>st</sup> Auction Marks Five Years of Success for RGGI**

*CO<sub>2</sub> Allowances Sold at \$2.67*

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 21<sup>st</sup> auction of carbon dioxide (CO<sub>2</sub>) allowances. The auction held Wednesday, September 4, 2013 marks five years since the launch of the RGGI auctions in 2008.

38,409,043 CO<sub>2</sub> allowances were sold at the auction at a clearing price of \$2.67. 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 \$12.85 per allowance.

The auction generated \$102.5 million for reinvestment by the RGGI states in a variety of consumer benefit initiatives, including energy efficiency, renewable energy, direct bill assistance, and greenhouse gas abatement programs. Cumulative proceeds from all RGGI CO<sub>2</sub> allowance auctions currently total \$1.4 billion dollars.

According to the independent market monitor's report, electricity generators and their corporate affiliates have won 84 percent of CO<sub>2</sub> allowances sold in RGGI auctions since 2008. Additional details are available in the *Market Monitor Report for Auction 21*, appended and available at [http://www.rrgi.org/docs/Auctions/21/Auction\\_21\\_Market\\_Monitor\\_Report.pdf](http://www.rrgi.org/docs/Auctions/21/Auction_21_Market_Monitor_Report.pdf).

"Having realized a more than 30 percent reduction in regional power sector carbon dioxide pollution, the RGGI states continue to operate one of the most cost-effective market-based carbon reduction programs in the world," said Collin O'Mara, Secretary of the Delaware Department of Natural Resources and Environmental Control and Chair of the RGGI, Inc. Board of Directors. "States, regions, and countries are increasingly recognizing that RGGI's system of auctioning allowances provides flexibility with market certainty. Coupled with the reinvestment of allowance proceeds in strategic energy programs, the result is a program that cost-effectively reduces carbon pollution while also supporting economic growth."

"Today's auction represents the 21<sup>st</sup> successful auction and five years of progress in the RGGI states building our clean energy economy – a growth economy that lowers carbon pollution, generates jobs, and lowers family and business energy bills." said David Littell, a Commissioner of the Maine Public Utilities Commission and Vice-Chair of the RGGI, Inc. Board of Directors.

The next RGGI auction is scheduled for December 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 21 Results At-A-Glance	
Auction Date	September 4, 2013
Allowances Offered for Sale	38,409,043
Allowances Sold	38,409,043
Ratio of Bids to Supply	2.0
Clearing Price	\$2.67
Reserve Price	\$1.98
Proceeds from Auction 21	\$102,552,144.81
Total Cumulative Proceeds (All Auctions)	\$1,452,770,500.96
Number of Bidders in Auction 21	42
Percent of Allowances Purchased by Compliance Entities & their Corporate Affiliates in Auction 21	53%

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 third 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 downward 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.

###



**MARKET MONITOR REPORT  
FOR AUCTION 21**

**Prepared for:**

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

**Prepared By:**



September 6, 2013

---

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 21**

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 21, which was held on September 4, 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-two bidders participated in the offering of CO<sub>2</sub> allowances for the current control period. Bids were submitted to purchase 2.0 times the available supply of allowances, resulting in a clearing price of \$2.67 per ton. Compliance entities or their affiliates purchased 53 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.
- There were no indications of issues with the auction platform such as hardware or software problems, communications issues, or security breaches.

Sensitive information was treated in a manner consistent with auction rules and procedures, with one exception. In one instance, information provided by one bidder was inadvertently sent to another bidder during the auction qualification process. The bidder was allowed to re-submit the information, and there is no indication that participation in the auction was adversely affected.

In summary, the results of our monitoring of RGGI Auction 21 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.

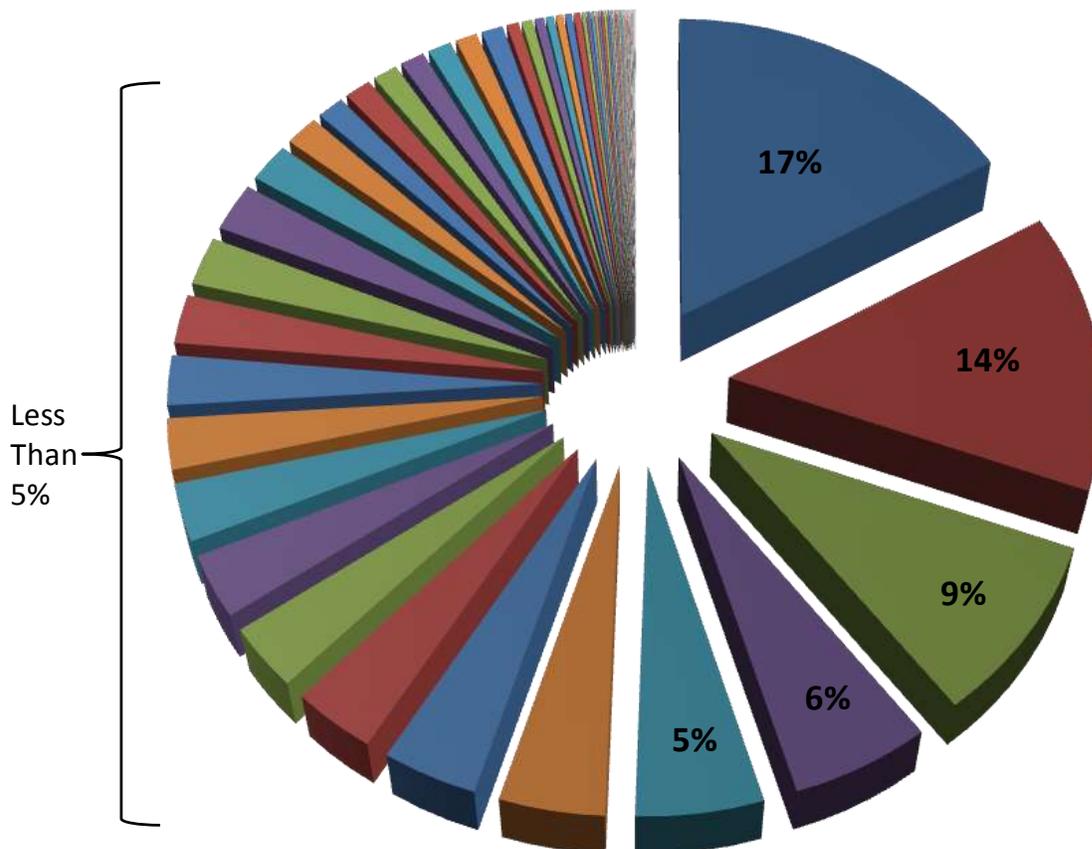
**APPENDIX**

**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 17 percent of the total projected demand for allowances. Approximately 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**



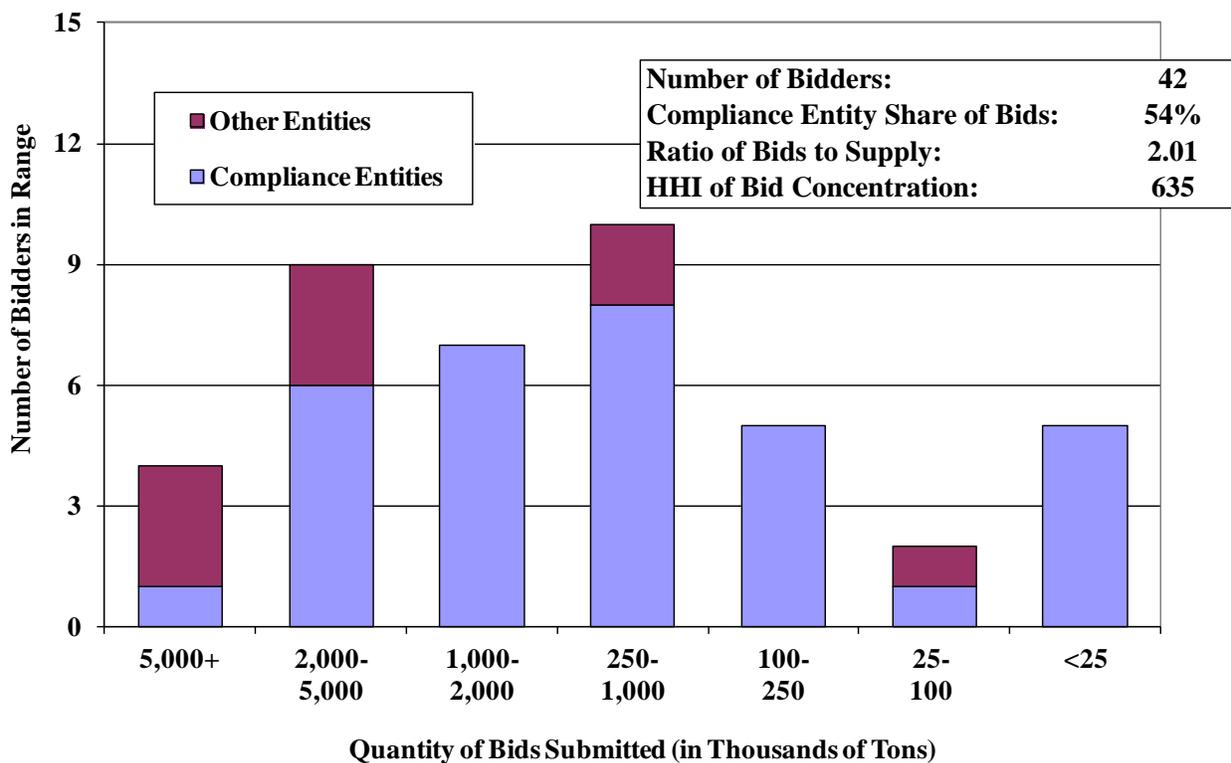
**B. DISPERSION OF BIDS IN AUCTION 21**

*In the offering of allowances for the current control period, bids were submitted by 33 compliance entities and nine 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. Seven compliance entities and six other entities submitted bids for a large quantity of allowances (i.e., at least 2 million tons). Overall, compliance entities accounted for 54 percent of the quantity of allowances for which bids were submitted. The quantity of allowances for which bids were submitted was 2.0 times the available supply in Auction 21, down slightly from 2.1 times the available supply in Auction 20 and 2.2 times the available supply in Auction 19.

The bid quantities were widely distributed among the 42 bidders. The concentration of bids, using the Herfindahl-Hirschman Index (“HHI”), was relatively low at 635 in Auction 21, up from 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 21

*In the offering of allowances for the current control period, awards were distributed across 38 bidders with seven bidders purchasing two million tons or more and 23 bidders purchasing 300,000 tons or more. Compliance entities or their affiliates purchased 53 percent of the allowances in the auction.*

The share of allowances purchased and several other quantities are reported for two 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 21, compliance entities and their affiliates purchased 53 percent of the allowances sold.
- In the first 21 RGGI auctions, compliance entities and their affiliates purchased 84 percent of the allowances sold.
- Compliance entities and their affiliates will hold 82 percent of the allowances in circulation following the settlement of allowances sold in Auction 21.

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 Allowances Awarded</b>
Bidder 1	9,445,043
Bidder 2	3,000,000
Bidder 3	2,600,000
Bidder 4	2,300,000
Bidder 5	2,235,000
Bidder 6	2,109,000
Bidder 7	2,000,000
Bidder 8	1,492,000
Bidder 9	1,350,000
Bidder 10	1,225,000
Bidder 11	1,100,000
Bidder 12	1,060,000
Bidder 13	1,045,000
Bidder 14	1,007,000
Bidder 15	1,000,000
Bidder 16	1,000,000
Bidder 17	725,000
Bidder 18	550,000
Bidder 19	500,000
Bidder 20	450,000
Bidder 21	350,000
Bidder 22	317,000
Bidder 23	315,000
Bidder 24	250,000
Bidder 25	200,000
Bidder 26	168,000
Bidder 27	164,000
Bidder 28	105,000
Bidder 29	100,000
Bidder 30	50,000
Bidder 31	50,000
Bidder 32	50,000
Bidder 33	46,000
Bidder 34	20,000
Bidder 35	10,000
Bidder 36	9,000
Bidder 37	6,000
Bidder 38	6,000

**D. SUMMARY OF BID PRICES IN AUCTION 21**

*Bids were submitted across a wide range of prices in the auction and the clearing price of \$2.67 was relatively consistent with average bid prices submitted.*

The following table reports several statistics regarding the bid prices for bids submitted in Auction 21. The median and mean bid prices are weighted by the quantity of each bid.

---

<b>Bid Prices:</b>	
<b>Minimum</b>	<b>\$1.98</b>
<b>Maximum</b>	<b>\$12.85</b>
<b>Average (Median)</b>	<b>\$2.66</b>
<b>Average (Mean)</b>	<b>\$2.79</b>
<b>Clearing Price:</b>	<b>\$2.67</b>

---

### E. NAMES OF POTENTIAL BIDDERS IN AUCTION 21

In accordance with Sections 2.8 and 3 of the Auction Notice for CO<sub>2</sub> Allowance Auction 21 on September 4, 2013, the Participating States are releasing the names of Potential Bidders in Auction 21. The states defined potential bidders as: “Each Applicant that has been qualified and submitted a complete *Intent to Bid*.” The list of 52 Potential Bidders is as follows:

Astoria Energy, LLC	Indeck-Oswego Limited Partnership
Astoria Generating Company, LP	Jamestown Board of Public Utilities
Berkshire Power Company, LLC	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	Lakeside Energy, LLC
Castleton Power, LLC	Luminus Energy Partners QP, LP
CE2 Carbon Capital, LLC	Mercuria Energy America, Inc.
ClimeCo Corporation	Millennium Power Partners, LP
Consolidated Edison Comp. of NY, Inc.	Morgan Stanley Capital Group, Inc.
CP Energy Marketing (US) Inc.	National Grid Gen. dba National Grid
Delaware City Refining Company, LLC	New Athens Generating Company, LLC
DTE Energy Trading, Inc.	NextEra Energy Power Marketing, LLC
Dynegy Marketing and Trade, LLC	NRG Power Marketing, LLC
EDF Trading North America, LLC	Power Authority of the State of New York
Empire Generating Co., LLC	PSEG Energy Resources & Trade, LLC
Entergy Rhode Island State Energy, LP	Public Service Company of New Hampshire
EquiPower Resources	RBC
Exelon Generation Company, LLC	Selkirk Cogen Partners, LP
Footprint Power Salem Harbor Operations, LLC	Shell Energy North America (US), LP
GenOn Energy Management, LLC	Twin Eagle Resource Management, LLC
Granite Ridge Energy, LLC	Upstate New York Power Producers, LLC
H.Q. Energy Services (U.S.) Inc.	Verso Paper Corp.
Hess Corporation (G)	Village of Freeport
Indeck Energy Serv. of Silver Springs	Vitol Inc.
Indeck-Corinth Limited Partnership	Wallingford Energy, LLC