

**For Immediate Release
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CO₂ Allowances Sold at \$3.00 at 22nd RGGI Auction

RGGI Auctions Have Generated over \$1.5 Billion for State Reinvestment

NEW YORK, NY— The nine Northeastern and Mid-Atlantic states participating in the Regional Greenhouse Gas Initiative (RGGI), the nation's first market-based cap-and-trade program to reduce greenhouse gas pollution, today announced the results of their 22nd auction of carbon dioxide (CO₂) allowances.

38,329,378 CO₂ allowances were sold at the auction at a clearing price of \$3.00. Allowances sold represent 100 percent of the allowances offered for sale by the nine states. Bids for the CO₂ allowances ranged from \$1.98 to \$12.00 per allowance.

The auction generated \$114.9 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 CO₂ allowance auctions currently total \$1.5 billion dollars.

According to the independent market monitor's report, electricity generators and their corporate affiliates have won 81 percent of CO₂ allowances sold in RGGI auctions since 2008. Additional details are available in the *Market Monitor Report for Auction 22*, appended and available at http://www.rrgi.org/docs/Auctions/22/Auction_22_Market_Monitor_Report.pdf.

"After twenty-two auctions, RGGI has demonstrated that regional carbon pollution programs can cost-effectively reduce emissions while strengthening the economy," said Collin O'Mara, Secretary of the Delaware Department of Natural Resources and Environmental Control and Chair of the RGGI, Inc. Board of Directors. "By harnessing market forces and aligning state policies, RGGI has helped states significantly lower emissions while building a clean energy infrastructure."

"The RGGI states demonstrated they were early movers in 2008, when they were the first region in North America to conduct a CO₂ allowance auction," said David Littell, a Commissioner of the Maine Public Utilities Commission and Vice-Chair of the RGGI, Inc. Board of Directors. "Having now held twenty-two CO₂ auctions in five and a half years, RGGI has demonstrated a market-based system that finds the lowest-cost CO₂ reductions."

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.

Auction 22 Results At-A-Glance	
Auction Date	December 4, 2013
Allowances Offered for Sale	38,329,378
Allowances Sold	38,329,378
Ratio of Bids to Supply	2.7
Clearing Price	\$3.00
Reserve Price	\$1.98
Proceeds from Auction 22	\$114,988,134.00
Total Cumulative Proceeds (All Auctions)	\$1,567,758,634.96
Number of Bidders in Auction 22	49
Percent of Allowances Purchased by Compliance Entities & their Corporate Affiliates in Auction 22	43%

More data is also available at: http://www.rggi.org/market/co2_auctions/results.

RGGI Program Review

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 processes to propose updates to their CO₂ Budget Trading Programs. The RGGI states anticipate that they will complete their state-specific processes such that the proposed changes would take effect in January 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 CO₂ 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.
- Cost containment reserve (CCR) of allowances that creates a fixed additional supply of allowances that are only available for sale if CO₂ 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 CO₂ 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.

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 CO₂ emissions are capped at 165 million short tons for 2013.

RGGI is composed of individual CO₂ budget trading programs in each state, based on each state's independent legal authority. A CO₂ allowance represents a limited authorization to emit one short ton of CO₂, as issued by a respective state. A regulated power plant must hold CO₂ 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.

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.

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 22**

Prepared for:

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

Prepared By:



December 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 (CO₂) 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 22

As the Market Monitor for the RGGI CO₂ 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 22, which was held on December 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-nine bidders participated in the offering of CO₂ allowances for the current control period. Bids were submitted to purchase 2.7 times the available supply of allowances, resulting in a clearing price of \$3.00 per ton. Compliance entities or their affiliates purchased 43 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 22 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 CO₂ allowances and outcomes of the auction.

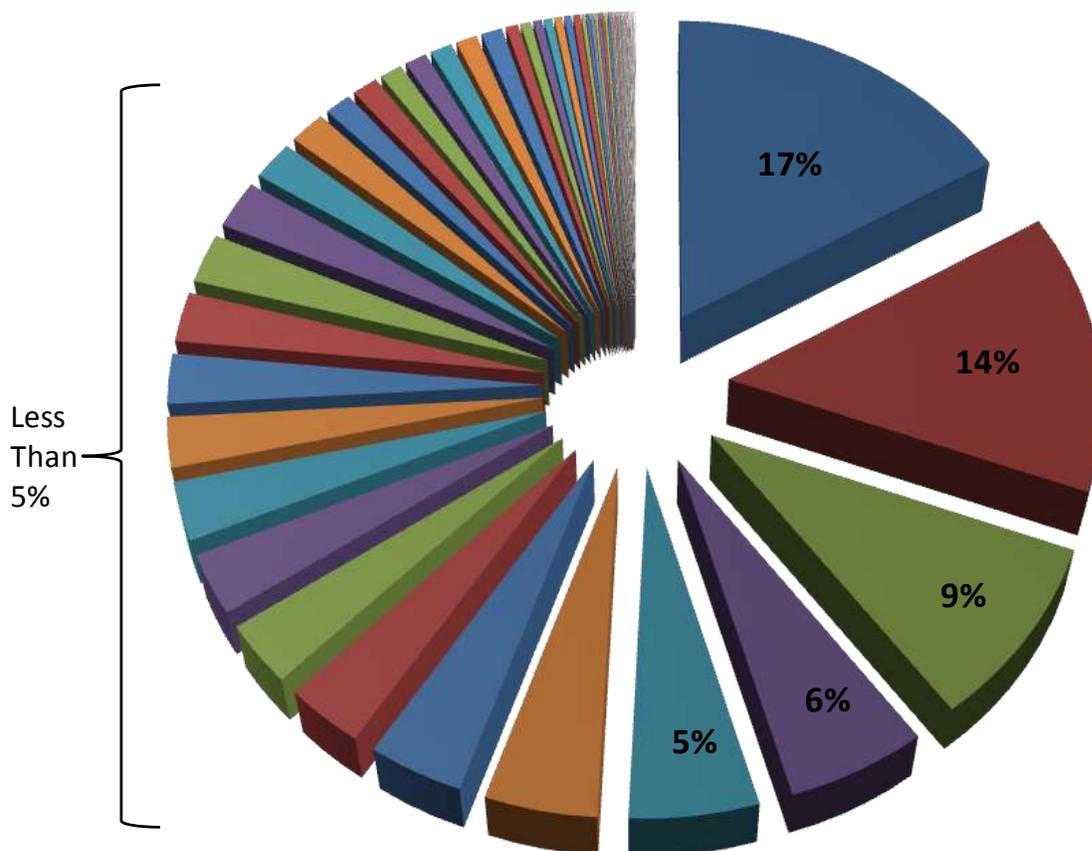
APPENDIX

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



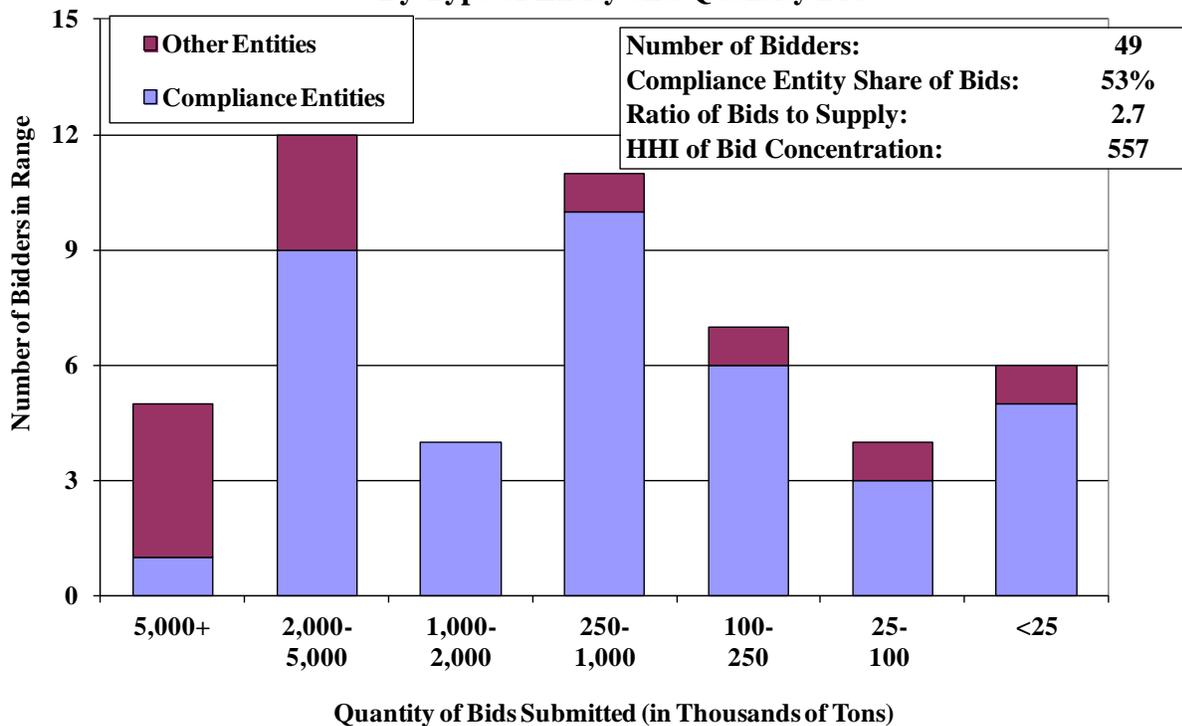
B. DISPERSION OF BIDS IN AUCTION 22

In the offering of allowances for the current control period, bids were submitted by 38 compliance entities and eleven 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 seven other entities submitted bids for a large quantity of allowances (i.e., at least 2 million tons). Overall, compliance entities accounted for 53 percent of the quantity of allowances for which bids were submitted. The quantity of allowances for which bids were submitted was 2.7 times the available supply in Auction 22, up from 2.0 times the available supply in Auction 21 and 2.1 times the available supply in Auction 20.

The bid quantities were widely distributed among the 49 bidders. The concentration of bids, using the Herfindahl-Hirschman Index (“HHI”), was relatively low at 557 in Auction 22, down from 635 in Auction 21. 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 22

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 18 bidders purchasing 300,000 tons or more. Compliance entities or their affiliates purchased 43 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 22, compliance entities and their affiliates purchased 43 percent of the allowances sold.
- In the first 22 RGGI auctions, compliance entities and their affiliates purchased 81 percent of the allowances sold.
- Compliance entities and their affiliates will hold 77 percent of the allowances in circulation following the settlement of allowances sold in Auction 22.

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	6,500,000
Bidder 2	5,336,000
Bidder 3	4,770,000
Bidder 4	3,000,000
Bidder 5	2,683,000
Bidder 6	2,000,000
Bidder 7	2,000,000
Bidder 8	1,776,000
Bidder 9	1,600,000
Bidder 10	1,328,000
Bidder 11	1,140,000
Bidder 12	1,015,378
Bidder 13	934,000
Bidder 14	900,000
Bidder 15	692,000
Bidder 16	368,000
Bidder 17	350,000
Bidder 18	300,000
Bidder 19	252,000
Bidder 20	200,000
Bidder 21	171,000
Bidder 22	150,000
Bidder 23	146,000
Bidder 24	100,000
Bidder 25	100,000
Bidder 26	100,000
Bidder 27	100,000
Bidder 28	76,000
Bidder 29	75,000
Bidder 30	50,000
Bidder 31	36,000
Bidder 32	30,000
Bidder 33	30,000
Bidder 34	10,000
Bidder 35	4,000
Bidder 36	3,000
Bidder 37	3,000
Bidder 38	1,000

D. SUMMARY OF BID PRICES IN AUCTION 22

Bids were submitted across a wide range of prices in the auction and the clearing price of \$3.00 was relatively consistent with average bid prices submitted.

The following table reports several statistics regarding the bid prices for bids submitted in Auction 22. The median and mean bid prices are weighted by the quantity of each bid.

Bid Prices:	
Minimum	\$1.98
Maximum	\$12.00
Average (Median)	\$2.90
Average (Mean)	\$2.87
Clearing Price:	\$3.00

E. NAMES OF POTENTIAL BIDDERS IN AUCTION 22

In accordance with Sections 2.8 and 3 of the Auction Notice for CO₂ Allowance Auction 22 on December 4, 2013, the Participating States are releasing the names of Potential Bidders in Auction 22. 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-Oswego Limited Partnership
AU Funding LLC	Indeck-Yerkes Limited Partnership
Brayton Point Energy, LLC	Jamestown Board of Public Utilities
Brooklyn Navy Yard Cogen Partners, LP	J-Power USA Development Co., Ltd.
Caithness Long Island, LLC	Kleen Energy Systems, LLC
Calpine Energy Services, LP	Koch Supply & Trading, LP
Carbon Lighthouse Association	Lakeside Energy, LLC
Castleton Commodities Merchant Trading, LP	Luminus Energy Partners QP, LP
Castleton Power, LLC	Massachusetts Muni. Wholesale Elec. Co.
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.
Delaware City Refining Company, LLC	National Grid Gen. dba National Grid
Dominion Energy Marketing, Inc.	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	Panda Brandywine, LP
Empire Generating Co., LLC	Power Authority of the State of New York
Entergy Rhode Island State Energy, LP	PSEG Energy Resources & Trade, LLC
EquiPower Resources	Public Service Company of New Hampshire
Essential Power, LLC	RBC
Evolution Markets, Inc.	Selkirk Cogen Partners, LP
Exelon Generation Company, LLC	Shell Energy North America (US), LP
GDF SUEZ Energy Marketing NA, Inc.	Upstate New York Power Producers, LLC
GenOn Energy Management, LLC	Verso Paper Corp.
Granite Ridge Energy, LLC	Village of Freeport
Hess Energy Marketing LLC	Vitol Inc.
Indeck-Corinth Limited Partnership	