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**CO<sub>2</sub> Allowances Sold at \$4.00 at 23<sup>rd</sup> RGGI Auction***First Auction with New RGGI 2014 Cap*

NEW YORK — 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 23<sup>rd</sup> auction of carbon dioxide (CO<sub>2</sub>) allowances.

23,491,350 CO<sub>2</sub> allowances were sold at the auction at a clearing price of \$4.00. Allowances sold include the 18,491,350 allowances offered for sale by the nine states and all of the 5,000,000 allocation year 2014 cost containment reserve (CCR) allowances. Bids for the CO<sub>2</sub> allowances ranged from \$2.00 to \$11.85 per allowance.

The CCR is 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). There are no more CCR allowances available for sale in 2014.

According to the independent market monitor's report, electricity generators and their corporate affiliates have won 78 percent of CO<sub>2</sub> allowances sold in RGGI auctions since 2008. Additional details are available in the *Market Monitor Report for Auction 23*, appended and available at [http://www.rrgi.org/docs/Auctions/23/Auction\\_23\\_Market\\_Monitor\\_Report.pdf](http://www.rrgi.org/docs/Auctions/23/Auction_23_Market_Monitor_Report.pdf).

The auction generated \$93.96 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 over \$1.6 billion dollars.

"Today we received the results of the first auction held since the nine states lowered the cap on allowances and made other program changes. The results are what we expected—there was an increase in the allowance price, all the allowances we offered were sold, and the CCR operated as intended. These early results demonstrate RGGI is on track to reduce carbon emissions by 80-90 million tons through 2020 while helping states fund clean energy investments," said Kenneth Kimmell, Commissioner of the Massachusetts Department of Environmental Protection and Chair of the RGGI, Inc. Board of Directors.

"Our first auction under the new cap demonstrates how market-based programs cost-effectively reduce carbon pollution while driving investments in a clean energy economy," said Collin O'Mara, Secretary of the Delaware Department of Natural Resources and Environmental Control and Vice-Chair of the RGGI, Inc. Board of Directors. "Our recently released *Regional Investment of RGGI CO<sub>2</sub> Allowance Proceeds, 2012*, estimates that RGGI proceed investments will return more than \$2 billion in lifetime energy bill savings to more than 3 million participating households and more than 12,000 businesses in our region."

To receive announcements relating to future auctions and other RGGI news, please join the RGGI, Inc. mailing list at [http://www.rggi.org/news/mailling\\_list](http://www.rggi.org/news/mailling_list).

Auction 23 Results At-A-Glance	
Auction Date	March 5, 2014
Allowances Offered for Sale	18,491,350
2014 CCR Allowances Available for Sale	5,000,000
Allowances Sold	23,491,350
Ratio of Bids to Initial Supply	3.1
Ratio of Bids to Total Supply with CCR	2.5
Clearing Price	\$4.00
Reserve Price	\$2.00
Proceeds from Auction 23	\$93,965,400
Total Cumulative Proceeds (All Auctions)	\$1,661,724,034.96
Number of Bidders in Auction 23	45
Percent of Allowances Purchased by Compliance Entities & their Corporate Affiliates in Auction 23	45%
Percent of Allowances Purchased by Compliance Entities & their Corporate Affiliates in Auctions 1-23	78%

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

### **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. The 2014 RGGI cap is 91 million short tons. The RGGI cap then declines 2.5 percent each year from 2015-2020.

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 23**

**Prepared for:**

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

**Prepared By:**



March 7, 2014

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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 23**

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 23, which was held on March 5, 2014.

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.

The Cost Containment Reserve (“CCR”) was used for the first time in Auction 23. The demand for CO<sub>2</sub> allowances from bids submitted above the CCR Trigger Price of \$4.00 exceeded the Initial Offering of 18,491,350 allowances and was sufficient to purchase all 5 million 2014 CCR allowances. After the CCR was exhausted, the auction cleared at a price of \$4.00 per ton. There are no other CCR allowances available for sale in 2014.

Forty-five bidders participated in the offering of CO<sub>2</sub> allowances for the current control period. Bids were submitted to purchase 3.1 times the Initial Offering of CO<sub>2</sub> allowances and 2.5 times the total available supply (including allowances in the CCR). Compliance entities and their affiliates purchased 45 percent of the CO<sub>2</sub> allowances. 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 23 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.

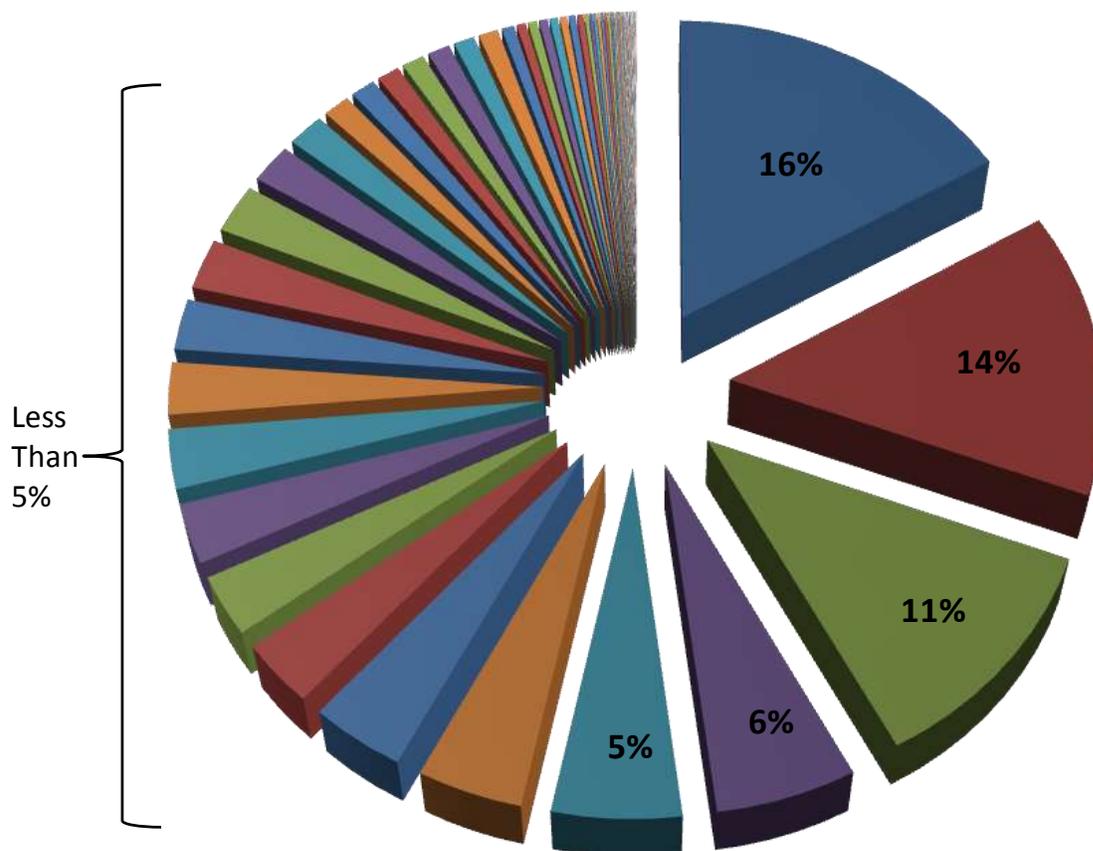
**APPENDIX**

**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. 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**



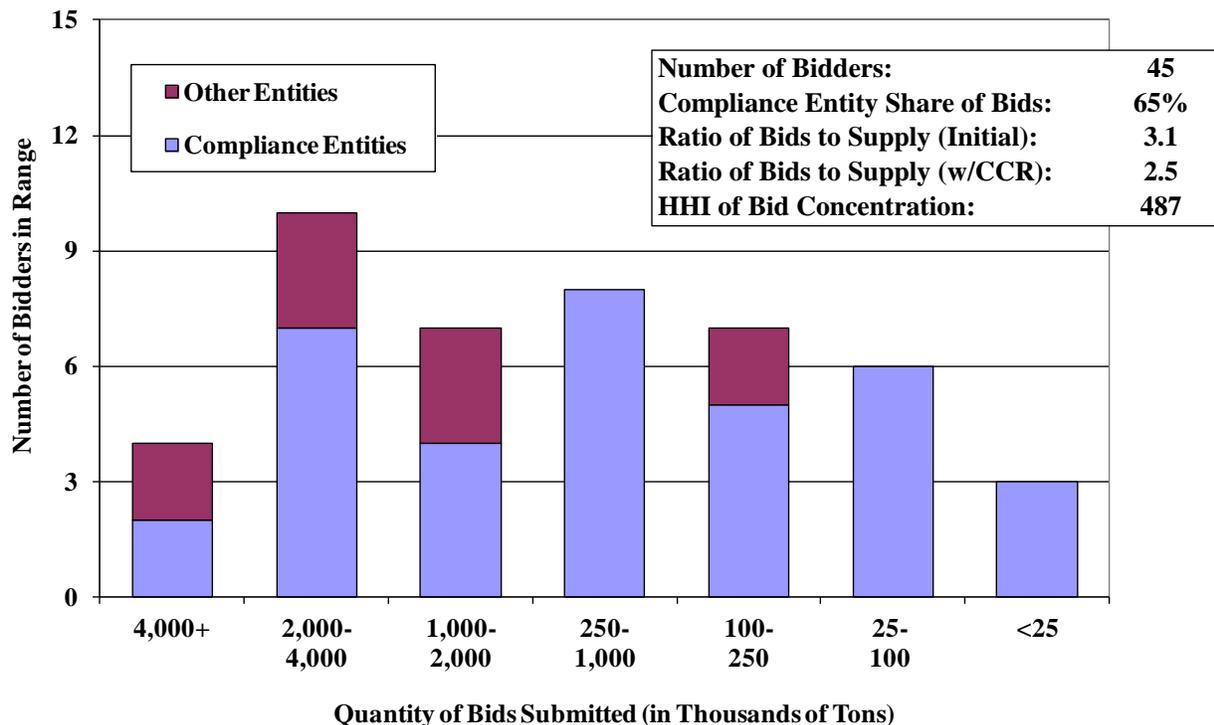
**B. DISPERSION OF BIDS IN AUCTION 23**

*In the offering of allowances for the current control period, bids were submitted by 35 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. Nine compliance entities and five other entities submitted bids for a large quantity of allowances (i.e., at least 2 million tons). Overall, compliance entities accounted for 65 percent of the quantity of allowances for which bids were submitted. The quantity of allowances for which bids were submitted was 3.1 times the Initial Offering of 18,491,350 allowances and 2.5 times the total available supply (including the 5 million allowances in the CCR). In Auction 22, the quantity of allowances for which bids were submitted was 2.7 times the available supply.

The bid quantities were widely distributed among the 45 bidders. The concentration of bids, using the Herfindahl-Hirschman Index (“HHI”), was relatively low at 487 in Auction 23, down from 557 in Auction 22. 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 23

*In the offering of allowances for the current control period, awards were distributed across 28 bidders with five bidders purchasing two million tons or more and 15 bidders purchasing 300,000 tons or more. Compliance entities and their affiliates purchased 45 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 23, compliance entities and their affiliates purchased 45 percent of the allowances sold.
- In the first 23 RGGI auctions, compliance entities and their affiliates purchased 78 percent of the allowances sold.
- Compliance entities and their affiliates will hold 74 percent of the allowances in circulation following the settlement of allowances sold in Auction 23.

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>
<b>Bidder 1</b>	<b>3,500,000</b>
<b>Bidder 2</b>	<b>2,500,000</b>
<b>Bidder 3</b>	<b>2,400,000</b>
<b>Bidder 4</b>	<b>2,311,000</b>
<b>Bidder 5</b>	<b>2,000,000</b>
<b>Bidder 6</b>	<b>1,950,000</b>
<b>Bidder 7</b>	<b>1,500,000</b>
<b>Bidder 8</b>	<b>1,351,000</b>
<b>Bidder 9</b>	<b>1,250,000</b>
<b>Bidder 10</b>	<b>820,000</b>
<b>Bidder 11</b>	<b>748,000</b>
<b>Bidder 12</b>	<b>500,000</b>
<b>Bidder 13</b>	<b>500,000</b>
<b>Bidder 14</b>	<b>500,000</b>
<b>Bidder 15</b>	<b>386,350</b>
<b>Bidder 16</b>	<b>250,000</b>
<b>Bidder 17</b>	<b>210,000</b>
<b>Bidder 18</b>	<b>182,000</b>
<b>Bidder 19</b>	<b>172,000</b>
<b>Bidder 20</b>	<b>150,000</b>
<b>Bidder 21</b>	<b>85,000</b>
<b>Bidder 22</b>	<b>66,000</b>
<b>Bidder 23</b>	<b>44,000</b>
<b>Bidder 24</b>	<b>36,000</b>
<b>Bidder 25</b>	<b>24,000</b>
<b>Bidder 26</b>	<b>24,000</b>
<b>Bidder 27</b>	<b>20,000</b>
<b>Bidder 28</b>	<b>12,000</b>

**D. SUMMARY OF BID PRICES IN AUCTION 23**

*Bids were submitted across a wide range of prices in the auction and the clearing price of \$4.00 was relatively consistent with average bid prices submitted.*

The following table reports several statistics regarding the bid prices for bids submitted in Auction 23. 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>\$2.00</b>
<b>Maximum</b>	<b>\$11.85</b>
<b>Average (Median)</b>	<b>\$3.95</b>
<b>Average (Mean)</b>	<b>\$3.76</b>
<b>Clearing Price:</b>	<b>\$4.00</b>

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**E. NAMES OF POTENTIAL BIDDERS IN AUCTION 23**

In accordance with Sections 2.8 and 3 of the Auction Notice for CO<sub>2</sub> Allowance Auction 23 on March 5, 2014, the Participating States are releasing the names of Potential Bidders in Auction 23. 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
Brayton Point Energy, LLC	Indeck-Yerkes Limited Partnership
Brooklyn Navy Yard Cogen Partners, LP	Jamestown Board of Public Utilities
Caithness Long Island, LLC	J-Power USA Development Co., Ltd.
Calpine Energy Services, LP	Kleen Energy Systems, LLC
Castleton Commodities Merchant Trading, LP	Koch Supply & Trading, LP
Castleton Power, LLC	Lakeside Energy, LLC
CE2 Carbon Capital, LLC	Luminus Energy Partners QP, LP
Consolidated Edison Comp. of NY, Inc.	Mercuria Energy America, Inc.
CP Energy Marketing (US) Inc.	Millennium Power Partners, LP
Delaware City Refining Company, LLC	Morgan Stanley Capital Group, Inc.
Dominion Energy Marketing, Inc.	National Grid Gen. dba National Grid
DTE Energy Trading, Inc.	New Athens Generating Company, LLC
Dynegy Marketing and Trade, LLC	NextEra Energy Power Marketing, LLC
EDF Trading North America, LLC	Noble Americas Gas & Power Corp.
Entergy Rhode Island State Energy, LP	NRG Power Marketing, LLC
EquiPower Resources	Power Authority of the State of New York
Evolution Markets, Inc.	PSEG Energy Resources & Trade, LLC
Exelon Generation Company, LLC	Public Service Company of New Hampshire
Five Rings Capital, LLC	RBC
GDF SUEZ Energy Marketing NA, Inc.	Selkirk Cogen Partners, LP
GenOn Energy Management, LLC	Shell Energy North America (US), LP
Granite Ridge Energy, LLC	Upstate New York Power Producers, LLC
Hess Energy Marketing LLC	Verso Paper Corp.
Indeck-Corinth Limited Partnership	Vitol Inc.
Indeck-Olean Limited Partnership	Wallingford Energy, LLC