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## **CO<sub>2</sub> Allowances Sold for \$5.41 in 27<sup>th</sup> RGGI Auction**

*Total Proceeds for Reinvestment Now Exceed \$2 Billion*

NEW YORK — 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 (GHG) pollution, today announced the results of their 27<sup>th</sup> auction of carbon dioxide (CO<sub>2</sub>) allowances. The March 11<sup>th</sup> auction was the first auction of 2015.

15,272,670 CO<sub>2</sub> allowances were sold at the auction at a clearing price of \$5.41. Allowances sold represent 100 percent of the CO<sub>2</sub> allowances offered for sale by the nine states. Bids for the CO<sub>2</sub> allowances ranged from \$2.05 to \$12.50 per allowance. Additional details are available in the *Market Monitor Report for Auction 27*, appended and available at [http://www.rrgi.org/docs/Auctions/27/Auction\\_27\\_Market\\_Monitor\\_Report.pdf](http://www.rrgi.org/docs/Auctions/27/Auction_27_Market_Monitor_Report.pdf).

10 million cost containment reserve (CCR) allowances were also available for sale. None of the CCR allowances were sold. 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 (\$6 in 2015, \$8 in 2016, \$10 in 2017, and rising by 2.5 percent each year thereafter to account for inflation). The 10 million CCR allowances remain available for sale in 2015.

The auction generated more than \$82 million for reinvestment in strategic energy and consumer benefit programs, including energy efficiency, renewable energy, direct bill assistance, and GHG abatement programs. Cumulative proceeds from all RGGI CO<sub>2</sub> allowance auctions now exceed \$2 billion dollars.

"A hallmark of RGGI's success is the auctioning of allowances and the strategic investments of the auction proceeds," said Kelly Speakes-Backman, Commissioner of the Maryland Public Service Commission and Chair of the RGGI, Inc. Board of Directors. "For more than six years these investments have helped us build a more resilient energy infrastructure, a cleaner environment and stronger economy for our region."

"At the start of our third RGGI control period, we look forward to continuing RGGI's success," said Katie Dykes, Deputy Commissioner for Energy of the Connecticut Department of Energy and Environmental Protection, and a Vice-Chair of the RGGI, Inc. Board of Directors. "The region has set a national example by reducing power sector carbon pollution over 40 percent since 2005 while maintaining economic growth."

"Today's results demonstrate that the revisions we made last year have strengthened this market-based program to reduce carbon pollution," said Joe Martens, Commissioner of the New York State Department of Environmental Conservation and a Vice-Chair of the RGGI, Inc. Board of Directors. "Emissions continue to decline and the carbon market is functioning smoothly."

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 27 Results At-A-Glance	
Auction Date	March 11, 2015
Allowances Offered for Sale	15,272,670
Allowances Sold	15,272,670
Ratio of Bids to Initial Supply	2.8
Clearing Price	\$5.41
Reserve Price	\$2.05
Proceeds from Auction 27	\$82,625,144.70
Total Cumulative Proceeds (All Auctions)	\$2,017,671,088.75
Number of Bidders in Auction 27	45
Percent of Allowances Purchased by Compliance Entities & their Affiliates in Auction 27	100%
Percent of Allowances Purchased by Compliance Entities & their Corporate Affiliates in Auctions 1-27	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 2015 RGGI cap is 88.7 million short tons. The RGGI cap then declines 2.5 percent each year until 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 for each three-year control period. RGGI's third control period began on January 1, 2015 and extends through December 31, 2017. 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).

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**RGGI Inc.**



**MARKET MONITOR REPORT  
FOR AUCTION 27**

**Prepared for:**

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

**Prepared By:**

**POTOMAC  
ECONOMICS**

March 13, 2015

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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 27**

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 27, which was held on March 11, 2015.

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-five bidders participated in the offering of CO<sub>2</sub> allowances. Bids were submitted to purchase 2.8 times the available supply of allowances, resulting in a clearing price of \$5.41 per ton. Compliance entities or their affiliates purchased 100 percent of the allowances in the offering. There was no indication of barriers to participation in the auction.

An additional ten million CO<sub>2</sub> allowances were available for sale in Auction 27 from the Cost Containment Reserve (“CCR”). Allowances are sold from the CCR when the auction clearing price reaches the level of the CCR Trigger Price. The CCR Trigger Price is \$6.00 per ton in 2015, so none of the CCR allowances were sold in Auction 27. These allowances will be available in the next 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 27 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.

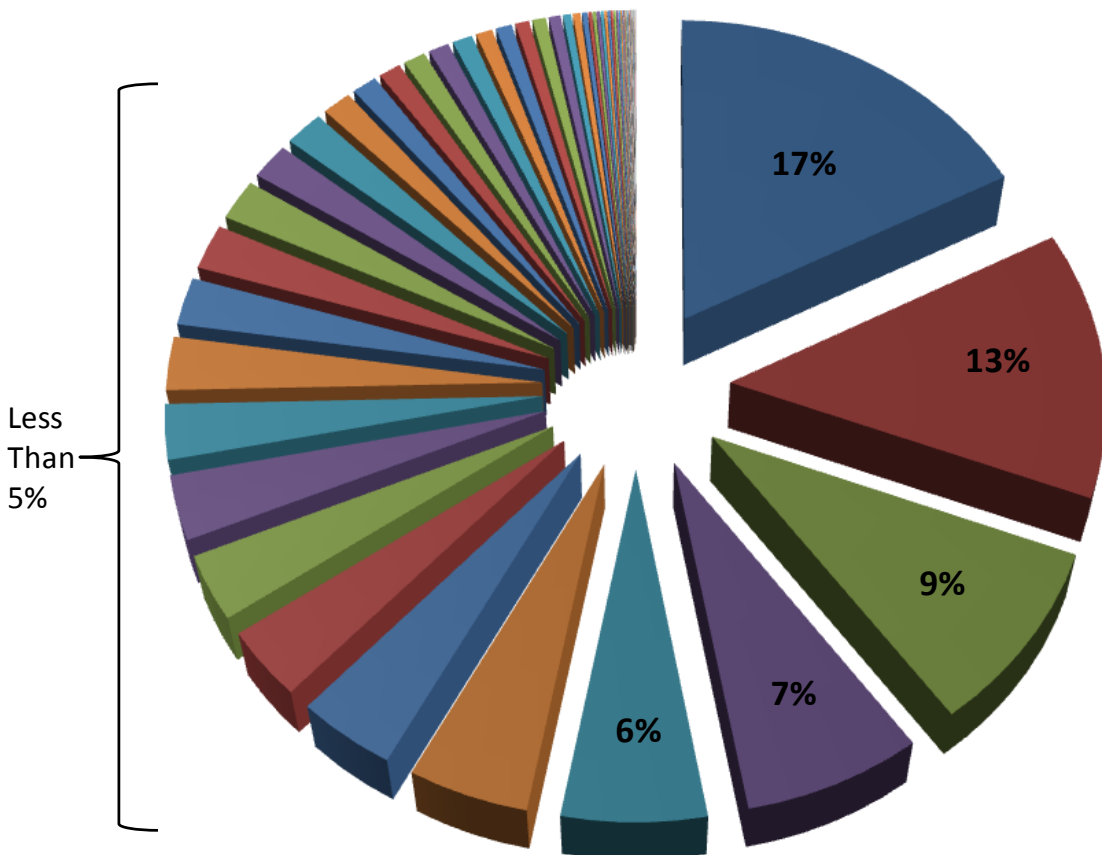
**APPENDIX**

**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. 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**



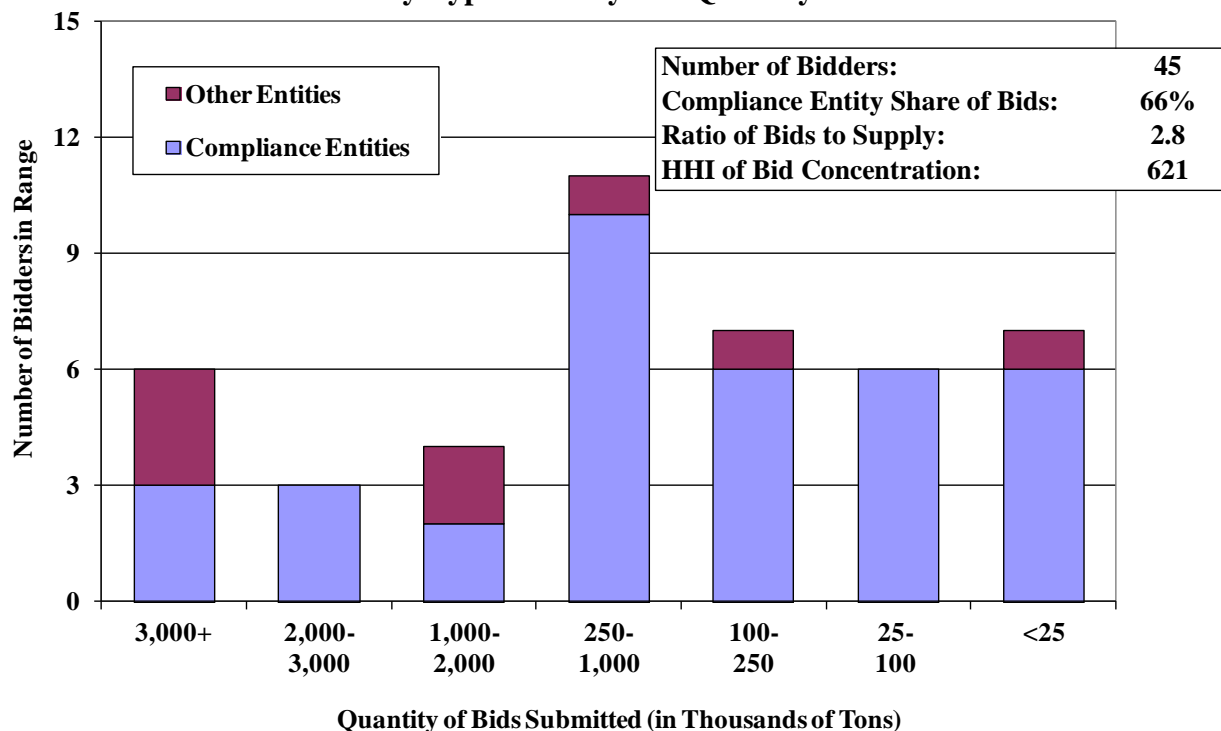
**B. DISPERSION OF BIDS IN AUCTION 27**

*In the offering of allowances for the current control period, bids were submitted by 37 compliance entities and eight 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. Six compliance entities and three other entities submitted bids for a large quantity of allowances (i.e., at least 2 million tons). Overall, compliance entities accounted for 66 percent of the quantity of allowances for which bids were submitted. The quantity of allowances for which bids were submitted was 2.8 times the Initial Offering of 15,272,670 allowances. In Auction 26, the quantity of allowances for which bids were submitted was 2.5 times the Initial Offering of 18,198,685 allowances.

The bid quantities were widely distributed among the 45 bidders. The concentration of bids, using the Herfindahl-Hirschman Index (“HHI”), is relatively low at 621, consistent with recent auctions. 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 27

*In the offering of allowances for the current control period, awards were distributed across 35 bidders with four bidders purchasing one million tons or more and 12 bidders purchasing 300,000 tons or more.*

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 27, compliance entities and their affiliates purchased 100 percent of the allowances sold.
- In the first 27 RGGI auctions, compliance entities and their affiliates purchased 78 percent of the allowances sold.
- Compliance entities and their affiliates will hold 62 percent of the allowances in circulation following the settlement of allowances sold in Auction 27 (excluding allowances that will be surrendered for Second Control Period compliance).

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>3,818,000</b>
<b>Bidder 2</b>	<b>3,126,000</b>
<b>Bidder 3</b>	<b>1,100,000</b>
<b>Bidder 4</b>	<b>1,000,000</b>
<b>Bidder 5</b>	<b>812,000</b>
<b>Bidder 6</b>	<b>750,000</b>
<b>Bidder 7</b>	<b>650,000</b>
<b>Bidder 8</b>	<b>620,000</b>
<b>Bidder 9</b>	<b>587,000</b>
<b>Bidder 10</b>	<b>552,670</b>
<b>Bidder 11</b>	<b>503,000</b>
<b>Bidder 12</b>	<b>300,000</b>
<b>Bidder 13</b>	<b>214,000</b>
<b>Bidder 14</b>	<b>200,000</b>
<b>Bidder 15</b>	<b>180,000</b>
<b>Bidder 16</b>	<b>115,000</b>
<b>Bidder 17</b>	<b>110,000</b>
<b>Bidder 18</b>	<b>100,000</b>
<b>Bidder 19</b>	<b>80,000</b>
<b>Bidder 20</b>	<b>75,000</b>
<b>Bidder 21</b>	<b>64,000</b>
<b>Bidder 22</b>	<b>53,000</b>
<b>Bidder 23</b>	<b>50,000</b>
<b>Bidder 24</b>	<b>40,000</b>
<b>Bidder 25</b>	<b>36,000</b>
<b>Bidder 26</b>	<b>30,000</b>
<b>Bidder 27</b>	<b>30,000</b>
<b>Bidder 28</b>	<b>25,000</b>
<b>Bidder 29</b>	<b>13,000</b>
<b>Bidder 30</b>	<b>10,000</b>
<b>Bidder 31</b>	<b>9,000</b>
<b>Bidder 32</b>	<b>9,000</b>
<b>Bidder 33</b>	<b>6,000</b>
<b>Bidder 34</b>	<b>4,000</b>
<b>Bidder 35</b>	<b>1,000</b>

**D. SUMMARY OF BID PRICES IN AUCTION 27**

*Bids were submitted across a wide range of prices in the auction and the clearing price of \$5.41 was relatively consistent with average bid prices submitted.*

The following table reports several statistics regarding the bid prices for bids submitted in Auction 27. 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>\$2.05</b>
<b>Maximum</b>	<b>\$12.50</b>
<b>Average (Median)</b>	<b>\$5.26</b>
<b>Average (Mean)</b>	<b>\$4.78</b>
<b>Clearing Price:</b>	<b>\$5.41</b>

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**E. NAMES OF POTENTIAL BIDDERS IN AUCTION 27**

In accordance with Sections 2.8 and 3 of the Auction Notice for CO<sub>2</sub> Allowance Auction 27 on March 11, 2015, the Participating States are releasing the names of Potential Bidders in Auction 27. The states defined potential bidders as: “Each Applicant that has been qualified and submitted a complete *Intent to Bid*.” The list of 50 Potential Bidders is as follows:

Adirondack Council Inc.	Indeck-Oswego Limited Partnership
Astoria Energy, LLC	Indeck-Yerkes Limited Partnership
Brookfield Energy Marketing LP	Jamestown Board of Public Utilities
Brooklyn Navy Yard Cogen Partners, LP	J-Power USA Development Co., Ltd.
Caithness Long Island, LLC	Kendall Green Energy, LLC
Calpine Energy Services, LP	Kleen Energy Systems, LLC
Carbon Lighthouse Association	Koch Supply & Trading, LP
Castleton Commodities Merchant Trading, LP	Luminus Energy Partners Master Fund, Ltd.
Castleton Power, LLC	Maxim Power (USA), Inc.
CE2 Carbon Capital, LLC	Mercuria Energy America, Inc.
City of Dover	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
Direct Energy Business Marketing, LLC	New Athens Generating Company, LLC
Dominion Energy Marketing, Inc.	NextEra Energy Power Marketing, LLC
DTE Energy Trading, Inc.	NRG Power Marketing, LLC
EDF Trading North America, LLC	Old Dominion Electric Cooperative
Empire Generating Co., LLC	Power Authority of the State of New York
Entergy Rhode Island State Energy, LP	PSEG Energy Resources & Trade, LLC
Essential Power, LLC	Public Service Company of New Hampshire
Exelon Generation Company, LLC	RBC
GDF SUEZ Energy Marketing NA, Inc.	Upstate New York Power Producers, LLC
GenOn Energy Management, LLC	Verso Corporation
Granite Ridge Energy, LLC	Village of Freeport
Indeck-Corinth Limited Partnership	Vitol Inc.