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## **CO<sub>2</sub> Allowances Sold for \$2.53 in 36<sup>th</sup> RGGI Auction**

*\$36.9 Million Raised for Reinvestment in Second Auction of 2017*

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 36<sup>th</sup> auction of carbon dioxide (CO<sub>2</sub>) allowances.

14,597,470 CO<sub>2</sub> allowances were sold at the auction at a clearing price of \$2.53. Bids for the CO<sub>2</sub> allowances ranged from \$2.15 to \$6.00 per allowance. Additional details are available in the [Market Monitor Report for Auction 36](#), which is also appended.

The June 7<sup>th</sup> auction was the second auction of 2017, and generated \$36.9 million for reinvestment in strategic programs, including energy efficiency, renewable energy, direct bill assistance, and GHG abatement programs. Cumulative proceeds from all RGGI CO<sub>2</sub> allowance auctions exceed \$2.7 billion dollars.

Ten million cost containment reserve (CCR) allowances were also available for sale, but 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 (\$10 in 2017 and rising by 2.5 percent each year thereafter).

"RGGI is important not only because of the concrete benefits delivered to the participating states, but because it serves as a model for successful, cost-effective reductions in carbon pollution," said Katie Dykes, Chair of the Connecticut Public Utilities Regulatory Authority and Chair of the RGGI, Inc. Board of Directors. "RGGI's track record dispels any doubt that reductions in greenhouse gas pollution can be achieved in concert with economic growth, consumer benefits, and grid reliability."

"Since its launch in 2005, the nine RGGI states have cut emissions from the electricity sector nearly in half while stimulating the creation of thousands of clean energy jobs and reaping more than a billion dollars in public health benefits providing a model for the nation for reducing the greenhouse gas emissions that contribute to climate change," said Jared Snyder, Deputy Commissioner, New York State Department of Environmental Conservation and Vice Chair of the RGGI, Inc. Board of Directors. "While actions to address climate change are stalled at the federal level, our states are enjoying the benefits of a transition to clean energy and we will continue to invest in preserving our environment and our economy for future generations."

Auction 36 Results At-A-Glance	
Auction Date	Jun. 7, 2017
Allowances Offered for Sale	14,597,470
Allowances Sold	14,597,470
Ratio of Bids to Supply	2.1
Clearing Price	\$2.53
Reserve Price	\$2.15
Proceeds from Auction 36	\$36,931,599.10
Total Cumulative Proceeds (All Auctions)	\$2,717,534,538.14
Number of Bidders in Auction 36	40
Percent of Allowances Purchased by Compliance-Oriented Entities in Auction 36	36%
Percent of Allowances Purchased by Compliance Entities in Auction 36	49%
Percent of Allowances Purchased by Compliance Entities in Auctions 1 - 36	76%

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

Market monitor reports are available at: [http://www.rggi.org/market/market\\_monitor](http://www.rggi.org/market/market_monitor)

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).

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

The Northeast and Mid-Atlantic states participating in the third 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 2017 RGGI cap is 84.3 million short tons. The RGGI cap declines 2.5 percent each year until 2020. The RGGI states also include interim adjustments to the RGGI cap to account for banked CO<sub>2</sub> allowances. The 2017 RGGI adjusted cap is 62.5 million short tons.

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 36**

**Prepared for:**

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

**Prepared By:**

**POTOMAC  
ECONOMICS**

June 9, 2017

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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 36**

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 EnerNOC, Inc. This report summarizes our findings regarding RGGI Auction 36, which was held on June 7, 2017.

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 bidders participated in the offering of CO<sub>2</sub> allowances. Bids were submitted to purchase 2.1 times the available supply of allowances, resulting in a clearing price of \$2.53 per ton. Compliance-Oriented Entities purchased 36 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 36 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.

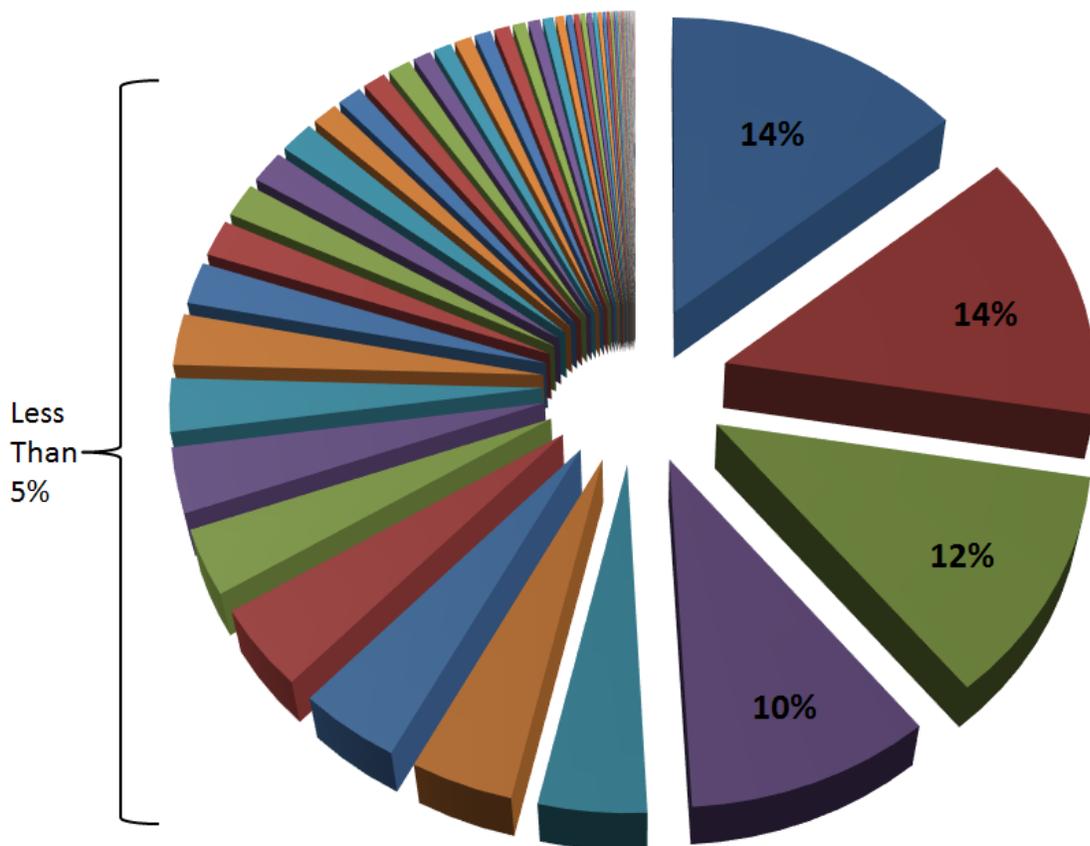
**APPENDIX**

**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 14 percent of the total projected demand for allowances. 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. SUMMARY OF PURCHASES OF ALLOWANCES IN AUCTION 36

*Awards were distributed across 38 bidders with six bidders purchasing one million tons or more and twelve bidders purchasing 300,000 tons or more.*

This report summarizes participation in Auction 36. For reporting purposes, firms are often broken up into the following distinct categories.

- *Compliance-Oriented Entities* – Compliance entities that appear to acquire and hold allowances primarily to satisfy their compliance obligations.
- *Investors with Compliance Obligations* – Firms that have compliance obligations but which hold a number of allowances that exceeds their estimated compliance obligations by a margin suggesting they also buy for re-sale or some other investment purpose. These firms often transfer significant quantities of allowances to unaffiliated firms.<sup>1</sup>
- *Investors without Compliance Obligations* – Firms without any compliance obligations.

These three categories form the basis for two overlapping groups.

- *Compliance Entities* – All firms with compliance obligations, and their affiliates.<sup>2</sup> Combines the first and second of the above categories.
- *Investors* – All firms which are assessed to be purchasing for investment rather than compliance purposes. Combines the second and third of the above categories.

In Auction 36, Compliance Entities purchased 49 percent of the allowances sold. In the first 36 RGGI auctions, Compliance Entities purchased 76 percent of the allowances sold. In Auction 36, Compliance-Oriented Entities purchased 36 percent of the allowances sold.

After settlement of allowances sold in Auction 36:

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<sup>1</sup> The assessment of whether a compliance entity holds a number of allowances that exceeds its compliance obligations by a margin that suggests they are also buying for re-sale or some other investment purpose is based on: (a) the entity's forecasted share of the total compliance obligations for the entire RGGI footprint through 2020, (b) the total number of allowances in circulation, and (c) consideration of the pattern of the entity's allowance transfers to unaffiliated firms versus affiliated firms. Since the designation of a compliance entity as an investor is based on a review of its transactions and holdings, the designation of a particular firm may change over time as more information becomes available.

<sup>2</sup> Affiliates are firms that: (i) have a parent-subsidiary 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.

- Fifty-three percent of the allowances in circulation will be held by Compliance-Oriented Entities.
- Fifty-four percent of the allowances in circulation are believed to be held for compliance purposes. The number of allowances that are believed to be held for compliance purposes includes 100 percent of the allowances held by Compliance-Oriented Entities and a portion of allowances held by Investors with Compliance Obligations.

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**

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<b>Bidder</b>	<b>Number of Allowances Awarded</b>
Bidder 1	2,900,000
Bidder 2	1,725,000
Bidder 3	1,500,000
Bidder 4	1,500,000
Bidder 5	1,250,000
Bidder 6	1,000,000
Bidder 7	700,000
Bidder 8	673,000
Bidder 9	500,000
Bidder 10	450,000
Bidder 11	378,000
Bidder 12	305,000
Bidder 13	265,000
Bidder 14	234,000
Bidder 15	202,470
Bidder 16	165,000
Bidder 17	115,000
Bidder 18	103,000
Bidder 19	100,000
Bidder 20	75,000
Bidder 21	65,000
Bidder 22	56,000
Bidder 23	50,000
Bidder 24	50,000
Bidder 25	50,000
Bidder 26	31,000
Bidder 27	30,000
Bidder 28	27,000
Bidder 29	23,000
Bidder 30	22,000
Bidder 31	20,000
Bidder 32	10,000
Bidder 33	7,000
Bidder 34	6,000
Bidder 35	3,000
Bidder 36	3,000
Bidder 37	2,000
Bidder 38	2,000

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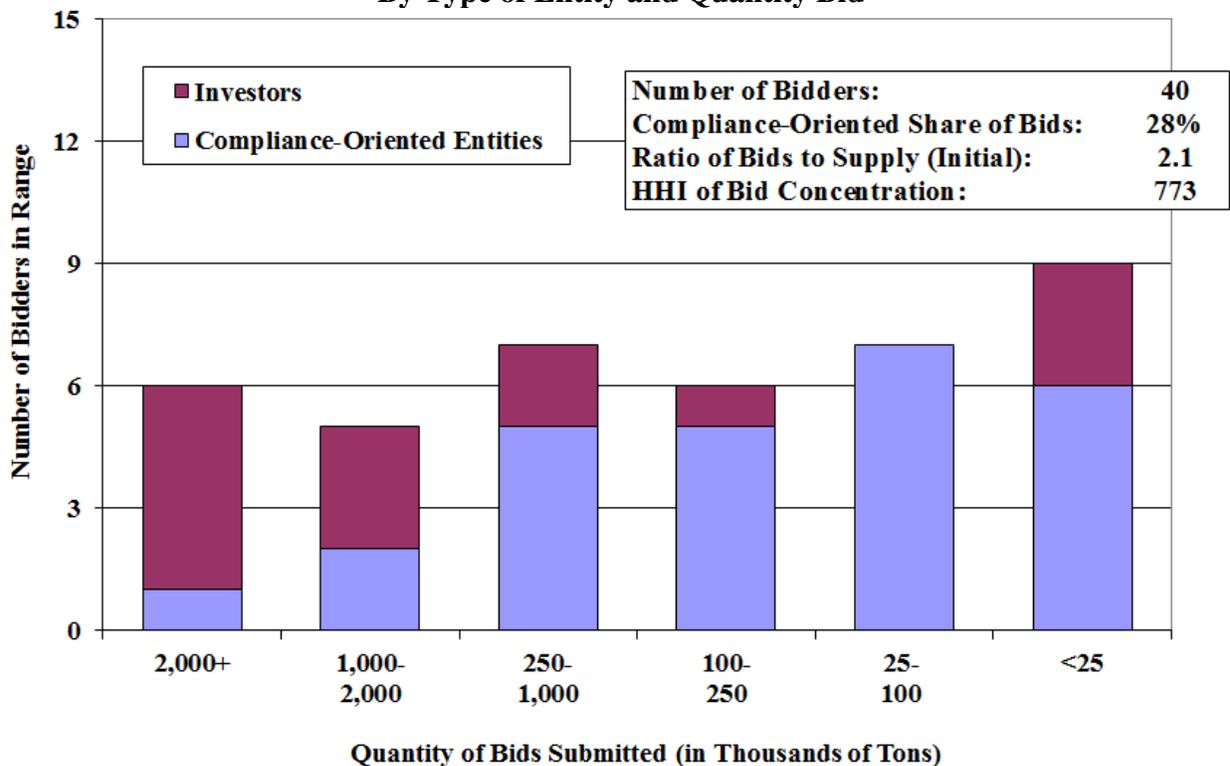
**C. DISPERSION OF BIDS IN AUCTION 36**

*Bids were submitted by 26 Compliance-Oriented Entities and 14 Investors. 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. One Compliance-Oriented Entity and five Investors submitted bids for a large quantity of allowances (i.e., at least 2 million tons). Overall, Compliance-Oriented Entities accounted for 28 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 35, the quantity of allowances for which bids were submitted was 2.2 times the Initial Offering.

The bid quantities were widely distributed among the 40 bidders. The concentration of bids, using the Herfindahl-Hirschman Index (“HHI”), is relatively low at 773, 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 (i.e., the index ranges from 0 to 10,000).

**Figure 2: Quantity of Bids Submitted by Entity  
By Type of Entity and Quantity Bid**



**D. SUMMARY OF BID PRICES IN AUCTION 36**

*Bids were submitted across a wide range of prices in the auction and the clearing price of \$2.53 was relatively consistent with average bid prices submitted.*

The following table reports several statistics regarding the bid prices for bids submitted in Auction 36. 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>\$2.15</b>
<b>Maximum</b>	<b>\$6.00</b>
<b>Average (Median)</b>	<b>\$2.52</b>
<b>Average (Mean)</b>	<b>\$2.57</b>
<b>Clearing Price:</b>	<b>\$2.53</b>

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**E. NAMES OF POTENTIAL BIDDERS IN AUCTION 36**

In accordance with Sections 2.8 and 3 of the Auction Notice for CO<sub>2</sub> Allowance Auction 36, the Participating States are releasing the names of Potential Bidders in Auction 36. The states defined potential bidders as: “Each Applicant that has been qualified and submitted a complete *Intent to Bid*.” The list of 48 Potential Bidders is as follows:

Adirondack Council Inc.	Kendall Green Energy, LLC
Astoria Energy, LLC	KMC Thermo, LLC
BP Products North America Inc.	Koch Supply & Trading, LP
Brooklyn Navy Yard Cogen Partners, LP	Luminus Energy Partners Master Fund, Ltd.
Caithness Long Island, LLC	Macquarie Energy, LLC
Calpine Energy Services, LP	Massachusetts Water Resources Authority
Carbon Lighthouse Association	Mercuria Energy America, Inc.
Castleton Commodities Merchant Trading, LP	Morgan Stanley Capital Group, Inc.
Cayuga Operating Company, LLC	National Grid Gen. dba National Grid
City of Dover	NextEra Energy Marketing, LLC
Consolidated Edison Comp. of NY, Inc.	Noble Americas Gas & Power Corp.
CPV Maryland, LLC	NRG Power Marketing, LLC
Delaware City Refining Company, LLC	Old Dominion Electric Cooperative
Delaware Municipal Electric Corp.	Power Authority of the State of New York
Dominion Energy Marketing, Inc.	PSEG Energy Resources & Trade, LLC
DRW Commodities, LLC	Public Service Company of New Hampshire
DTE Energy Trading, Inc.	RBC
Exelon Generation Company, LLC	Selkirk Cogen Partners, LP
Fathom Energy, LLC	Shell Energy North America (US), LP
GenOn Energy Management, LLC	Statkraft US, LLC
Hawkeye Energy Greenport	Verso Corporation
Indeck-Corinth Limited Partnership	Village of Freeport
Jamestown Board of Public Utilities	Vitol Inc.
J-Power USA Development Co., Ltd.	Wallingford Energy, LLC