FOR IMMEDIATE RELEASE
June 10, 2011

Regional Clean Energy Economy Boosted with $25.5 Million in RGGI Auction Proceeds

Current Control Period Allowances Sold at $1.89
Future Control Period Allowances Sold at $1.89

(NEW YORK, NY) – The states participating in the Regional Greenhouse Gas Initiative (RGGI), the nation’s first market-based regulatory program to reduce greenhouse gas emissions, today announced the results of their 12th quarterly auction of carbon dioxide (CO2) allowances. States are investing the vast majority of proceeds from RGGI auctions – now more than $886.4 million – to promote clean energy sources and lower energy costs for consumers across the region.

12,537,000, or thirty percent, of the 42,034,184 current control period (2009-2011) CO2 allowances offered for sale by the ten participating states were sold. The auction clearing price was $1.89 per allowance, the minimum reserve price for the auction. Twenty-five entities submitted winning bids, with bids ranging from $1.89 to $7.40. Electric generators and their corporate affiliates purchased 91 percent of the current control period allowances sold.

The participating states of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island and Vermont also offered a smaller number of CO2 allowances for a future control period (2012-2014). 943,000, or fifty-one percent, of the 1,864,952 future control period allowances offered in the auction were sold. The auction clearing price was $1.89 per allowance. Five bidders submitted winning bids, with bids ranging from $1.89 to $2.07. Electric generators and their corporate affiliates purchased 100 percent of the future control period allowances sold. New Jersey did not offer future control period allowances for sale in Auction 12.

As they have for each previous auction, the participating states published a report from the independent market monitor with aggregate auction results and a list of all qualified participants that submitted their intent to bid in the auction. According to the market monitor’s report, electric generators and their corporate affiliates have won 85 percent of all CO2 allowances sold in Auctions 1-12 and will hold 97 percent of CO2 allowances in circulation following the settlement of Auction 12. Additional details may be found in the Market Monitor Report for Auction 12, appended below.

“The RGGI states have put a price on carbon to foster innovation in our region,” said David Littell, a Commissioner of the Maine Public Utilities Commission and Chair of the Regional Greenhouse Gas Initiative, Inc. Board of Directors. “The RGGI auctions are continuing to drive large-scale investments in energy bill savings and improved business competitiveness.”

"RGGI auctions were designed to provide electricity generators with access to the allowances they need," said Collin O’Mara, Secretary of the Delaware Department of Natural Resources and Environmental Control and Secretary of the Regional Greenhouse Gas Initiative, Inc. Board of Directors. "As we near the end of the first compliance period with significantly reduced carbon emissions, electricity generators require fewer allowances. Today’s auction results show the success of the RGGI market-based system in distributing allowances efficiently and contributing to emissions reductions."
Proceeds from RGGI auctions now total more than $886.4 million, 80 percent of which is invested to save energy consumers money, create jobs and make businesses more competitive.

For example, New Hampshire is investing RGGI proceeds in a variety of programs that help local businesses boost their bottom lines through energy efficiency. Barons Major Brands, an appliance retailer in Laconia, is just one company to benefit from New Hampshire’s investments. Thanks to an energy efficiency rebate program coordinated by the Retail Merchants Association of New Hampshire and funded in part by RGGI proceeds, Barons is expected to save 25 percent in energy bills annually – or more than $7,800 each year.

Similarly, Maryland is investing RGGI proceeds to create energy savings for multi-family and public housing residents across the state. The Cedar Lane Senior Living Community in Leonardtown is just one of approximately 100 grants that have been awarded through Maryland’s investments. Last year, Cedar Lane invested $50,000 in RGGI proceeds to improve heating system efficiency in 51 apartments. As a result, residents are expected to save $47 for every $100 previously spent on heating and cooling costs.

In Maine, RGGI proceeds are invested to implement large-scale energy efficiency projects in commercial and industrial facilities. Sappi Fine Paper’s Somerset Mill in Skowhegan is just one of 17 companies that have received RGGI-funded grants from Efficiency Maine’s Large Projects Grant Program. As a result of the project, the mill is expected to save enough electricity annually to power 300 typical Maine households for a full year.

In Massachusetts, RGGI-funded programs are enabling workers to secure jobs in clean energy industries. John Greg is just one of 67 people at Greenfield Community College to receive energy efficiency job training through a new RGGI-funded program for building specialists. After graduating from Greenfield’s first class in the fall of 2010, John secured a position as an energy efficiency specialist at Cape SAVE, a weatherization firm in South Yarmouth. John is now supervising a crew of four people and is earning more than $20 per hour.

These examples show how states are investing RGGI proceeds into projects that build state economies through new jobs and savings for energy consumers. To learn more visit: http://www.rggi.org/docs/Investment_of_RGGI_Allowance_Proceeds.pdf.

The next RGGI auction is scheduled for September 7, 2011.

**About the Regional Greenhouse Gas Initiative**

The Northeast and Mid-Atlantic states participating in RGGI (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Jersey, New Hampshire, New York, Rhode Island and Vermont) have implemented the first market-based, mandatory cap-and-trade program in the U.S. to reduce greenhouse gas emissions. Power sector CO₂ emissions are capped at 188 million short tons per year through 2014. The cap will then be reduced by 2.5 percent in each of the four years 2015 through 2018, for a total reduction of 10 percent.

A CO₂ allowance represents a limited authorization to emit one short ton of CO₂, as issued by a respective participating state. A regulated power plant must hold CO₂ allowances equal to its emissions to demonstrate compliance at the end of each three-year control period. The first control period for fossil fuel-fired electric generators under each state’s CO₂ Budget Trading Program took effect on January 1, 2009 and extends through December 31, 2011. Allowances for the first (2009-2011) control period may be used to meet current compliance obligations, or may be banked for use in future control periods. CO₂ allowances for the second (2012-2014) control period can only be used to meet compliance obligations beginning in 2012. CO₂ allowances issued by any participating state are usable across all state programs, so that the ten individual state CO₂ Budget Trading Programs, in aggregate, form one regional compliance market for CO₂ emissions.
About Regional Greenhouse Gas Initiative, Inc.
Regional Greenhouse Gas Initiative, Inc. (RGGI, Inc.) was created in September 2007 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 please visit: www.rggi.org.

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MARKET MONITOR REPORT
FOR AUCTION 12

Prepared for:
RGGI, Inc., on behalf of the RGGI Participating States

Prepared By:
POTOMAC ECONOMICS

June 10, 2011
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 the RGGI Participating States (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont). The opinions expressed in this report do not necessarily reflect those of RGGI, Inc. or any of the Participating States, 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 Participating States, 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 Participating States, 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 a cooperative effort by participating states to reduce emissions of carbon dioxide (CO₂), a greenhouse gas that causes global warming.

RGGI, Inc. is a non-profit corporation created to provide technical and administrative services to the CO₂ Budget Trading Programs of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont.
MARKET MONITOR REPORT FOR AUCTION 12

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 12, which was held on June 8, 2011.

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.

A large number of bidders participated in the offering of CO₂ allowances for the current control period (with a 2011 vintage year). Twenty-five entities submitted bids to purchase 30 percent of the available supply of allowances, resulting in a clearing price equal to the reserve price of $1.89 per ton. Compliance entities or their affiliates purchased 91 percent of the allowances in the offering.

A small number of allowances were auctioned for a future control period (with a 2014 vintage year). Five entities submitted bids to purchase 51 percent of the available supply of allowances, resulting in a clearing price equal to the reserve price of $1.89 per ton. Compliance entities or their affiliates purchased 100 percent of the allowances in the offering.

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, a document submitted by one bidder was inadvertently sent to another bidder during the auction qualification process. The two bidders were allowed to submit revised documents, and there is no indication that the competitiveness of the auction was adversely affected.

In summary, the results of our monitoring of RGGI Auction 12 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 12 percent of the total projected demand for allowances. Almost half of the projected demand is composed of entities that each account for less than 4 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 12

In the offering of current control period allowances, bids were submitted by a large number of compliance entities and several non-compliance entities. A small number of allowances were also auctioned in advance for a future control period, with participation by five compliance entities. In our review of the bids and the qualification process, we found no material evidence of anti-competitive conduct or significant barriers to participation.

The following figure summarizes the quantities of allowances for which bids were submitted in the two offerings. In the offering of current control period allowances, just one compliance entity submitted bids for a large quantity of allowances (e.g., at least 2 million tons or 5 percent of the available supply). Overall, compliance entities accounted for 91 percent of the quantity of allowances for which bids were submitted in the offering of current control period allowances. The quantity of allowances for which bids were submitted decreased to 0.30 times the available supply in Auction 12 from 1.1 times the available supply in Auction 11 and 0.57 times the available supply in Auction 10.

In the offering of future control period allowances, the quantity of allowances for which bids were submitted was 0.51 times the available supply. This decreased from 1.4 times the available supply in Auction 11 and 0.55 times the available supply in Auction 10. Compliance entities accounted for 100 percent of the quantity of allowances for which bids were submitted in the offering of future control period allowances.

The bid quantities were widely distributed among the 25 bidders in the offering of current control period allowances. The concentration of bids, using the Herfindahl-Hirschman Index (“HHI”), was relatively low at 1122. Fewer entities submitted bids in the offering of future control period allowances, leading the concentration of bids to be much higher (4885). 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

<table>
<thead>
<tr>
<th>Current</th>
<th>Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Bidders:</td>
<td>25</td>
</tr>
<tr>
<td>Compliance Entity Share of Bids:</td>
<td>91%</td>
</tr>
<tr>
<td>Ratio of Bids to Supply:</td>
<td>0.30</td>
</tr>
<tr>
<td>HHI of Bid Concentration:</td>
<td>1122</td>
</tr>
</tbody>
</table>

Quantity of Bids Submitted (in Thousands of Tons)
C. SUMMARY OF PURCHASES OF ALLOWANCES IN AUCTION 12

In the offering of current control period allowances, awards were widely distributed across 25 bidders with one bidder purchasing over two million tons, six bidders purchasing one million tons or more, and ten bidders purchasing 250,000 tons or more. In the offering of future control period allowances, awards were distributed across five bidders with two bidders purchasing 400,000 tons or more.

Compliance entities or their affiliates purchased 91 percent of the allowances in the offering of current control period allowances and 100 percent of the allowances in the offering of future control period allowances.

The share of allowances purchased and several other quantities are reported for each of three 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-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.

- **Environmental/Individuals:** This includes non-compliance entities describing themselves as “Environmental Groups” or “Individual Person” in their qualification application.

- **Other Non-Compliance Entities:** This includes all other non-compliance entities.

The following statistics summarize the purchases and holdings of allowances by compliance entities and their affiliates under the RGGI program:

- In Auction 12, compliance entities and their affiliates purchased:
  - 91 percent of the current control period allowances sold, and
  - 100 percent of the future control period allowances sold.

- In the first twelve RGGI auctions, compliance entities and their affiliates purchased:
  - 85 percent of the current control period allowances sold,
  - 92 percent of the future control period allowances sold, and
  - 85 percent of all allowances sold.

- Compliance entities and their affiliates will hold 97 percent of the allowances in circulation following the settlement of allowances sold in Auction 12.
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>
<thead>
<tr>
<th>Bidder</th>
<th>Number of Current Control Period Allowances Awarded</th>
<th>Bidder</th>
<th>Number of Future Control Period Allowances Awarded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bidder 1</td>
<td>2,634,000</td>
<td>Bidder 1</td>
<td>466,000</td>
</tr>
<tr>
<td>Bidder 2</td>
<td>1,939,000</td>
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<td>Bidder 3</td>
<td>1,580,000</td>
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<td>Bidder 4</td>
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<td>Bidder 5</td>
<td>1,100,000</td>
<td>Bidder 5</td>
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<td>Bidder 6</td>
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<td>Bidder 16</td>
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<td>Bidder 18</td>
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<td>Bidder 22</td>
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<tr>
<td>Bidder 25</td>
<td>2,000</td>
<td>Bidder 25</td>
<td>2,000</td>
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</table>
D. SUMMARY OF BID PRICES IN AUCTION 12

The distribution of bid prices submitted in the auction indicates that the demand for allowances was relatively elastic, which is a signal that the results were competitive.

The following table reports several statistics regarding the bid prices for bids submitted in Auction 12. The median and mean bid prices are weighted by the quantity of each bid.

<table>
<thead>
<tr>
<th>Bid Prices:</th>
<th>Current</th>
<th>Future</th>
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<tbody>
<tr>
<td>Minimum</td>
<td>$1.89</td>
<td>$1.89</td>
</tr>
<tr>
<td>Maximum</td>
<td>$7.40</td>
<td>$2.07</td>
</tr>
<tr>
<td>Average (Median)</td>
<td>$1.91</td>
<td>$1.90</td>
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<tr>
<td>Average (Mean)</td>
<td>$1.99</td>
<td>$1.90</td>
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<tr>
<td>Clearing Prices:</td>
<td>$1.89</td>
<td>$1.89</td>
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</tbody>
</table>
E. NAMES OF POTENTIAL BIDDERS IN AUCTION 12

In accordance with Section 2.8 of the Auction Notice for CO2 Allowance Auction 12 on June 8, 2011, the Participating States are releasing the names of Potential Bidders in Auction 12. The states defined potential bidders as: “Each Applicant that has been qualified and submitted a complete Intent to Bid.” The list of 47 Potential Bidders is as follows:

AES Eastern Energy, LP  
Aircraft Services Corporation  
Algonquin Windsor Locks, LLC  
Astoria Energy, LLC  
Astoria Generating Company, LP  
Brick Power Holding, LLC  
Brookfield Energy Marketing Inc.  
Brooklyn Navy Yard Cogen Partners, LP  
Burlington Electric Department  
Caithness Long Island, LLC  
Calpine Energy Services, LP  
Casteleton Power, LLC  
Chambers Cogeneration, LP  
ConocoPhillips Company  
Consolidated Edison Comp. of NY, Inc.  
Constellation Energy Commodities Group  
CP Energy Marketing (US) Inc.  
Delaware Municipal Electric Corp.  
Dominion Energy Marketing, Inc.  
Dynegy Marketing and Trade, LLC  
Empire Generating Co., LLC  
Energy Echelon, LLC  
EquiPower Resources  
GDF SUEZ Energy Marketing NA, Inc.  
GenOn Energy Management, LLC  
Hess Corporation (G)  
Indeck-Corinth Limited Partnership  
Jamestown Board of Public Utilities  
J-Power USA Development Co., Ltd.  
Logan Generating Company, LP  
Morgan Stanley Capital Group, Inc.  
National Grid Gen. dba National Grid  
NextEra Energy Power Marketing, LLC  
North American Energy Alliance, LLC  
NRG Power Marketing, LLC  
Old Dominion Electric Cooperative  
PSEG Energy Resources & Trade, LLC  
Public Service Company of New Hampshire  
RBC  
Selkirk Cogen Partners, LP  
Shell Energy North America (US), LP  
TAQA Gen X, LLC  
TransCanada Power Marketing, Ltd.  
Verso Paper Corp.  
Village of Freeport  
Vitol Inc.