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**For Immediate Release**

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# First U.S. Carbon Market Begins Sixth Year of $CO_2$ Auctions

*$CO_2$ Allowances Sold at $2.80*

NEW YORK, NY— 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 pollution, today announced the results of their 19th auction of carbon dioxide ($CO_2$) allowances.

37,835,405 $CO_2$ allowances were sold at the auction, held Wednesday, March 13, 2013, at a clearing price of $2.80. The auction generated $105.9 million for reinvestment by the RGGI states in a variety of consumer benefit initiatives, including energy efficiency, renewable energy, direct bill assistance, greenhouse gas abatement, and climate change adaptation programs.

Allowances sold represent 100 percent of the allowances offered for sale by the nine states. Bids for the $CO_2$ allowances ranged from $1.98 to $5.03 per allowance.

According to the independent market monitor's report, electricity generators and their corporate affiliates have won 88 percent of $CO_2$ allowances sold in RGGI auctions since 2008. Additional details are available in the *Market Monitor Report for Auction 19,* appended and available at http://www.rggi.org/docs/Auctions/19/Auction_19_Market_Monitor_Report.pdf.

"RGGI has provided a roadmap to a clean energy future. The RGGI auctions continue to demonstrate that a market-based program that spurs investments in energy efficiency and low-emission electric generation can simultaneously achieve the goals of cleaner, cheaper, and more reliable energy," said Collin O'Mara, Secretary of the Delaware Department of Natural Resources and Environmental Control and Chair of the RGGI, Inc. Board of Directors. "The recently announced program changes will continue to build on this success."

"Today's auction shows how a flexible market-based program can reduce power sector $CO_2$ emissions at the lowest possible cost while making investments in our clean energy economy," said David Littell, a Commissioner of the Maine Public Utilities Commission and Vice-Chair of RGGI, Inc. Board of Directors. "The *Updated Model Rule* changes further improve RGGI – providing additional power sector greenhouse gas reductions while creating economic benefits for the region's businesses and families."

The next RGGI auction is scheduled for June 5, 2013. To receive announcements relating to future auctions and other RGGI news, please join the RGGI, Inc. mailing list at http://www.rggi.org/news/mailing_list.

| Auction 19 Results At-A-Glance | |
|---|---|
| Auction Date | March 13, 2013 |
| Allowances Offered for Sale | 37,835,405 |
| Allowances Sold | 37,835,405 |
| Ratio of Bids to Supply | 2.2 |
| Clearing Price | $2.80 |
| Reserve Price | $1.98 |
| Proceeds from Auction 19 | $105,939,134.00 |
| Total Cumulative Proceeds (All Auctions) | $1,225,727,892.19 |
| Number of Bidders in Auction 19 | 42 |
| Percent of Allowances Purchased by Compliance Entities & their Corporate Affiliates in Auction 19 | 69% |

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

**RGGI Program Review**

On February 7, 2013, after a comprehensive two-year program review, the RGGI states released an *Updated Model Rule* and *Program Review Recommendations Summary.* The *Updated Model Rule* will guide the RGGI states as they follow state-specific statutory and regulatory processes to propose updates to their $CO_2$ Budget Trading Programs. Each RGGI state seeks to complete their state-specific processes such that the proposed changes would take effect on January 1, 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 $CO_2$ 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 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. From 2014-2020 compliance with the applicable cap will be achieved by use of "new" auctioned allowances and "old" allowances from the private bank.
- Cost containment reserve (CCR) of allowances that creates a fixed additional supply of allowances that are only available for sale if $CO_2$ 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 $CO_2$ 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 $CO_2$ emissions are capped at 165 million short tons for 2013.

RGGI is composed of individual $CO_2$ budget trading programs in each state, based on each state's independent legal authority. A $CO_2$ allowance represents a limited authorization to emit one short ton of $CO_{2,}$ as issued by a respective state. A regulated power plant must hold $CO_2$ 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 19

**Prepared for:**

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

**Prepared By:**

March 15, 2013

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 ($CO_2$) 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 19

As the Market Monitor for the RGGI $CO_2$ 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 19, which was held on March 13, 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-two bidders participated in the offering of $CO_2$ allowances for the current control period. Bids were submitted to purchase 2.2 times the available supply of allowances, resulting in a clearing price of $2.80 per ton. Compliance entities or their affiliates purchased 69 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 19 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 $CO_2$ allowances and outcomes of the auction.

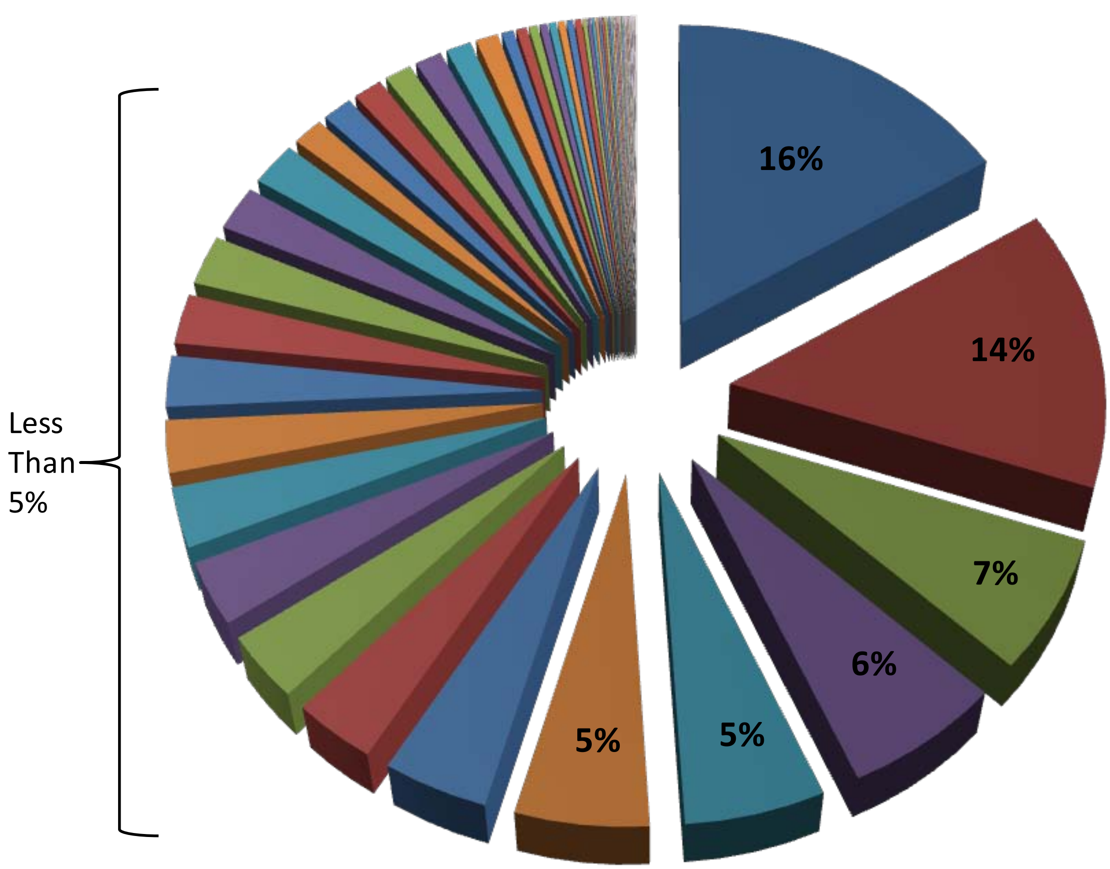
# APPENDIX

## 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. 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**



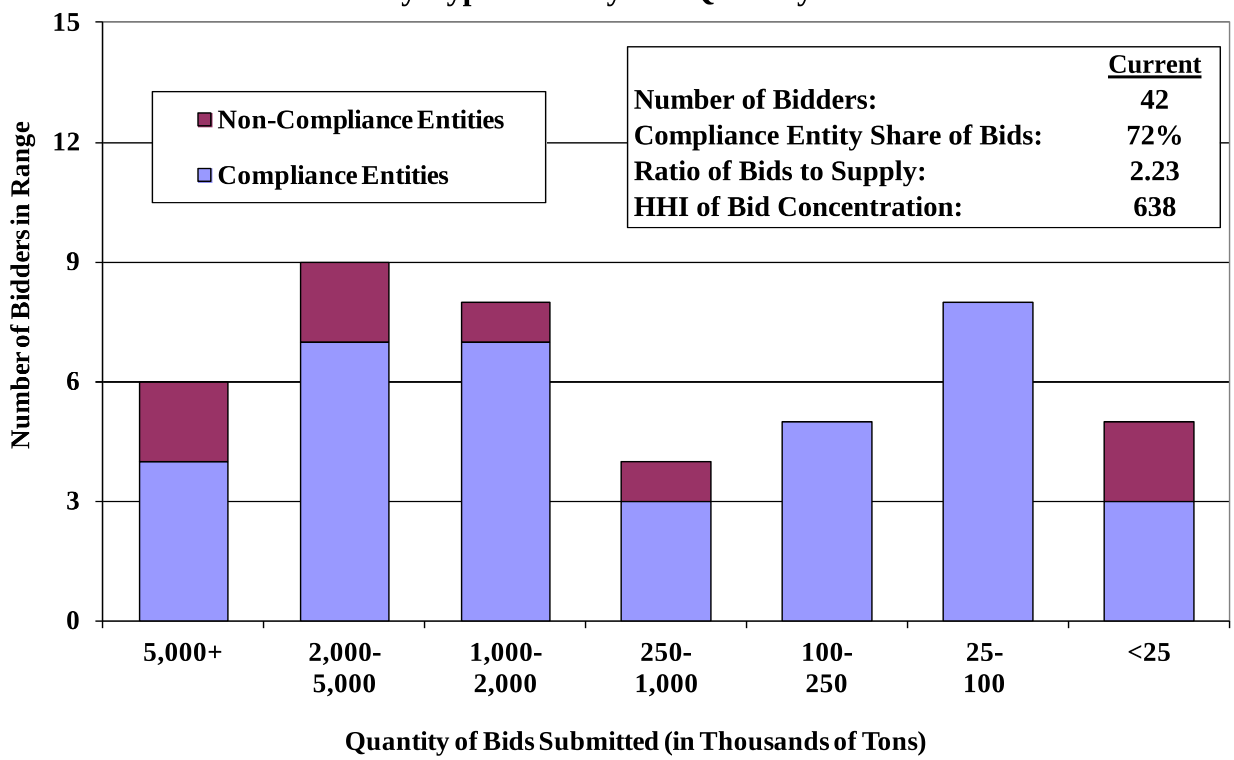
## B. Dispersion of Bids in Auction 19

*In the offering of allowances for the current control period, bids were submitted by 34 compliance entities and eight non-compliance 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. Eleven compliance entities and four non-compliance entities submitted bids for a large quantity of allowances (e.g., at least 2 million tons). Overall, compliance entities accounted for 72 percent of the quantity of allowances for which bids were submitted. The quantity of allowances for which bids were submitted increased to 2.2 times the available supply in Auction 19 from 0.53 times the available supply in Auction 18 and 0.65 times the available supply in Auction 17.

The bid quantities were widely distributed among the 42 bidders. The concentration of bids, using the Herfindahl-Hirschman Index ("HHI"), fell from 1938 in Auction 18 to 638 in Auction 19. 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 19

*In the offering of allowances for the current control period, awards were distributed across 20 bidders with seven bidders purchasing three million tons or more and 14 bidders purchasing 300,000 tons or more. Compliance entities or their affiliates purchased 69 percent of the allowances in the auction.*

The share of allowances purchased and several other quantities are reported for 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.
- *Non-Compliance Entities (Environmental Groups/Individuals)*: This includes non-compliances 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 19, compliance entities and their affiliates purchased 69 percent of the allowances sold.
- In the first 19 RGGI auctions, compliance entities and their affiliates purchased 88 percent of the allowances sold.
- Compliance entities and their affiliates will hold 90 percent of the allowances in circulation following the settlement of allowances sold in Auction 19.

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 | 9,458,000 |
| Bidder 2 | 4,900,000 |
| Bidder 3 | 4,432,000 |
| Bidder 4 | 3,833,000 |
| Bidder 5 | 3,730,000 |
| Bidder 6 | 3,156,405 |
| Bidder 7 | 3,000,000 |
| Bidder 8 | 1,000,000 |
| Bidder 9 | 874,000 |
| Bidder 10 | 800,000 |
| Bidder 11 | 750,000 |
| Bidder 12 | 594,000 |
| Bidder 13 | 417,000 |
| Bidder 14 | 300,000 |
| Bidder 15 | 220,000 |
| Bidder 16 | 157,000 |
| Bidder 17 | 150,000 |
| Bidder 18 | 25,000 |
| Bidder 19 | 25,000 |
| Bidder 20 | 14,000 |

## D. Summary of Bid Prices in Auction 19

*Bids were submitted across a wide range of prices in the auction and the clearing price of $2.80 was relatively consistent with average bid prices submitted.*

The following table reports several statistics regarding the bid prices for bids submitted in Auction 19. The median and mean bid prices are weighted by the quantity of each bid.

| | |
|---|---|
| **Bid Prices:** | |
| **Minimum** | **$1.98** |
| **Maximum** | **$5.03** |
| **Average (Median)** | **$2.66** |
| **Average (Mean)** | **$2.69** |
| **Clearing Price:** | **$2.80** |

## E. Names of Potential Bidders in Auction 19

In accordance with Sections 2.8 and 3 of the Auction Notice for $CO_2$ Allowance Auction 19 on March 13, 2013, the Participating States are releasing the names of Potential Bidders in Auction 19. The states defined potential bidders as: "Each Applicant that has been qualified and submitted a complete *Intent to Bid*." The list of 43 Potential Bidders is as follows:

Astoria Energy, LLC
Berkshire Power Company, LLC
Brooklyn Navy Yard Cogen Partners, LP
Caithness Long Island, LLC
CE2 Carbon Capital, LLC
Consolidated Edison Comp. of NY, Inc.
CP Energy Marketing (US) Inc.
Dynegy Marketing and Trade, LLC
Empire Generating Co., LLC
Entergy Rhode Island State Energy, LP
EquiPower Resources
Exelon Generation Company, LLC
GDF SUEZ Energy Marketing NA, Inc.
GenOn Energy Management, LLC
Granite Ridge Energy, LLC
H.Q. Energy Services (US) Inc.
Hess Corporation (G)
Indeck Energy Serv. of Silver Springs
Indeck-Corinth Limited Partnership
Indeck-Olean Limited Partnership
Indeck-Oswego Limited Partnership
Indeck-Yerkes Limited Partnership
Integrys Energy Services, Inc.
Jordan Stutt
J-Power USA Development Co., Ltd.
Kleen Energy Systems, LLC
Koch Supply & Trading, LP
Laurence DeWitt
Massachusetts Water Resources Authority
Millennium Power Partners, LP
Morgan Stanley Capital Group, Inc.
National Grid Gen. dba National Grid
Natsource Environmental and Energy Services, LLC
New Athens Generating Company, LLC
NextEra Energy Power Marketing, LLC
NRG Power Marketing, LLC
Power Authority of the State of New York
Public Service Company of New Hampshire
RBC
Selkirk Cogen Partners, LP
TransCanada Power Marketing, Ltd.
Upstate New York Power Producers, LLC
Vitol Inc.