
REGI Inc.



**REPORT ON THE SECONDARY MARKET
FOR REGI CO₂ ALLOWANCES: FOURTH QUARTER 2025**

Prepared for:

REGI, Inc., on behalf of the REGI Participating States

Prepared By:

**POTOMAC
ECONOMICS**

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The Regional Greenhouse Gas Initiative (RGGI) was the first mandatory market-based regulatory initiative in the U.S. to reduce greenhouse gas emissions. The Regional Greenhouse Gas Initiative (RGGI) is a cooperative effort of Eastern states of the US to reduce emissions of carbon dioxide (CO₂) 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.

A. INTRODUCTION AND SUMMARY

The primary market for RGGI CO₂ allowances consists mainly of the auctions where allowances are initially sold. Once a CO₂ allowance is purchased in the primary market, it can then be resold in the secondary market. The secondary market for RGGI CO₂ allowances comprises the trading of physical allowances and financial derivatives, such as futures and options contracts.

The secondary market is important for several reasons. First, it gives firms an ability to obtain CO₂ allowances at any time during the three months between the RGGI auctions. Second, it provides firms a way to protect themselves against the potential volatility of future auction clearing prices. Third, it provides price signals that assist firms in making investment decisions in markets affected by the cost of RGGI compliance.

This report provides a summary of activity in the secondary market in the fourth quarter of 2025 and discusses the results of our market power screens.

- Secondary Market Activity – Secondary market activity in the fourth quarter of 2025 rose from the third quarter of 2025:
 - ✓ Physical allowance transfers between unaffiliated firms totaled 48 million, 111 percent higher than the third quarter of 2025 but 33 percent less than in the fourth quarter of 2024.¹
 - ✓ The volume of trading of RGGI futures was 206 million CO₂ allowances in the fourth quarter of 2025, which was 15 percent lower than in the fourth quarter of 2024 but 129 percent more than the third quarter of 2025.
 - ✓ Open interest in RGGI futures and options decreased from 115 million allowances at the end the third quarter of 2025 to 99 million at the close of the fourth quarter of 2025.
- CO₂ Allowance Prices – Following the publication of revisions to the RGGI Model Rule on July 3rd,² prices initially fell to about \$21 but then rose to about \$23 by the end of the third quarter. At the beginning of the fourth quarter, prices were slightly lower, near \$22, but then

¹ Note, the COATS transfer totals from previous quarters may differ from previous reports to reflect late-reported transactions.

² RGGI Model Rule changes, released on July 3, 2025, will be implemented beginning in 2027 and include a higher rate of carbon dioxide reductions between 2027 and 2033 in conjunction with a larger, two-tiered Cost Containment Reserve, a minimum auction reserve price in lieu of the Emissions Containment Reserve mechanism, and the elimination of rules for creating new offset allowances.

trended upward to a peak near \$29 in early December and then decreased to about \$26 by the end of the month. Auction 70 cleared at \$26.73 on December 3rd, roughly \$2 below the prevailing prices at the time but near prices following the auction.

- ✓ Cost Containment Reserve (“CCR”) allowances for 2025 were exhausted in the March 2025 auction, so additional CCR allowances will not be available until the March 2026 auction at a CCR Trigger Price of \$18.22.
- ✓ As a result of the Third Program Review, RGGI will continue to auction “Tier 1” CCR allowances at a CCR Trigger Price that rises 7 percent each year. However, RGGI will make “Tier 2” CCR allowances available at a Trigger Price that will be 50 percent higher than the Tier 1 CCR Trigger Price starting in 2027.
- ✓ The additional tier of CCR allowances will likely promote allowance price stability. Accordingly, the option-implied volatility (a measure of market expectations of future price volatility) from trading of RGGI allowance options fell considerably during July after the announcement of the results of the Third Program Review. In the fourth quarter, option implied volatility rose rapidly with secondary prices until the auction on December 3rd, after which option-implied volatility fell significantly.
- CO₂ Allowance Holdings – At the end of the fourth quarter of 2025:
 - ✓ There were 175 million CO₂ allowances in circulation.³
 - ✓ Compliance-oriented entities held approximately 125 million of the allowances in circulation (71 percent).
 - ✓ Approximately 129 million of the allowances in circulation (74 percent) are believed to be held for compliance purposes.

We evaluate information on the holdings of CO₂ allowances and allowance derivatives as well as the demand for allowances to identify firms that may have acquired a position that raises competitive concerns. In the current study period, we find no evidence of anticompetitive conduct.

³ The number of allowances in circulation equals the sum of quarterly auction sales and direct allocations and sales from Participating State accounts minus the quantity that have been surrendered as of the 15th of the month after the end of the quarter. Public data sources for estimating the number of allowances in circulation include: (1) the CO₂ Allowance Distribution tables (<https://www.rggi.org/allowance-tracking/allowance-distribution>), which report information by allowance vintage, where “Sold at Auction” is the auction distribution volume, “Sold at Fixed Price” plus “Transferred from State Set-aside Accounts” is the state allocations and (2) the Compliance Summary Report posted on the COATS website, which includes both the compliance obligation and outstanding compliance obligation of each source for interim and final compliance deadlines.

B. BACKGROUND

The secondary market for RGGI CO₂ allowances comprises the trading of physical allowances and financial derivatives, such as futures, forward, and option contracts. A physical allowance trade occurs when the parties to the transaction register the transfer of ownership in RGGI's CO₂ Allowance Tracking System ("COATS"). Financial derivatives include any contracts whereby parties agree to exchange funds and/or allowances at some future date, depending in many cases on factors such as the price of allowances at some future date. Many financial derivatives eventually result in the transfer of physical CO₂ allowances (i.e., the transfer is registered in COATS), but this may occur months or years after the parties enter into a financial transaction. These include the following types of transactions:

- *Futures* – Under these contracts, two parties agree to exchange a fixed number of CO₂ allowances of a certain vintage year at a particular price at a specific point in the future (called the "delivery month"). At the end of the delivery month, the contracted number of CO₂ allowances must be physically transferred to the buyer's account in the COATS registry and funds must be transferred to the seller. Allowances transferred must be usable for compliance in the vintage year of the futures contract. One standard futures contract equals 1,000 RGGI allowances.⁴ These contracts are listed by an exchange with simple standardized terms to promote liquidity.
- *Forwards* – These are like futures contracts, but a forward contract typically requires that all financial settlement occur at expiration. These contracts can be made off an exchange between two parties, allowing the parties to agree to less standardized terms.
- *Call Options* – Call options give the purchaser the option to buy a fixed number of CO₂ allowances of a certain vintage year at a particular strike price at the expiration date. For example, suppose a firm holds a call option with \$5 strike price, and December 2022 expiration date. If the price of the corresponding forward contract rose to \$5.75, the firm could exercise the option to buy CO₂ allowances at \$5 and immediately sell them at \$5.75. Alternatively, if the price of the forward contract stayed below \$5, the firm would let the option expire without exercising it. One standard options contract can be exercised for 1,000

⁴ More precisely, a futures contract requires parties with an open interest to post financial assurance in an account with the exchange until the contract reaches expiration. The exchange continually withdraws and deposits funds according to changes in the prices of the contracts in which the party has interest. For example, if a firm buys a contract for 1,000 allowances at \$3.50/allowance, the purchasing firm (firm with a long position) must put \$3,500 in an account (or whatever share of the entire liability the exchange requires). If the futures price declines to \$3/allowance, the exchange transfers \$500 from the account of a firm with a long position to the account of a firm with a short position (firm that sold a contract), and the firm with a long position is only required to keep \$3,000 in the account. At the end of the delivery month, allowances are exchanged for funds according to the closing price on the last day of the month.

RGGI allowances. Currently, call option contracts listed on both ICE and Nodal Exchange are European style, meaning that they cannot be exercised before the expiration date.

- *Put Options* – Put options are similar to call options but they give the purchaser the option to *sell* a certain number of CO₂ allowances of a particular vintage year at a specified strike price any time prior to the expiration date. Currently, put option contracts listed on both ICE and Nodal Exchange are European style, meaning that they cannot be exercised before the expiration date.

Futures, forward, and option contracts allow firms to manage risks associated with unforeseen swings in commodity prices. Futures and forwards allow firms to lock-in the prices of future purchases or sales. Options allow firms to limit their exposure to price volatility. Call options protect the purchaser if the price of the commodity increases, while put options protect the purchaser if the price of the commodity decreases. Although options provide less certainty than futures and forward contracts, they generally require less financial security since they do not obligate the holder to exercise the contract if its value declines, which could make them more attractive to some firms.

The terms of futures, forward, and option contracts vary in the degree to which they are standardized. “Exchange-traded” contracts typically have the most standardized provisions, while the term “over-the-counter” (“OTC”) is applied to contracts with less standardized provisions. However, OTC contracts, once entered into, are often settled through a clearinghouse in order to protect the parties from the risk that the counterparty defaults.

The amount of *open interest* is the net amount of futures, forwards, or options that have been traded for a contract with a particular set of specifications (i.e., vintage year, delivery month, etc.), but have not reached the time of delivery, expired, or been exercised. For example, if Firm A sells 100 contracts of a particular type to Firm B, Firm A will have a short position of 100 contracts, Firm B will have a long position of 100 contracts, and the total open interest for the particular type of contract will be 100 contracts. Hence, the total open interest can be determined by summing across all of the long positions of market participants or by summing across all of the short positions.

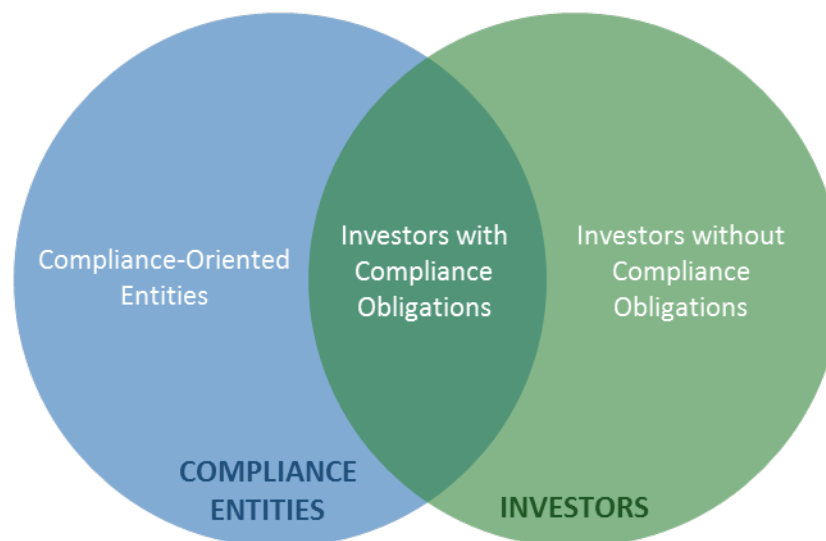
The volatility of a CO₂ allowance refers to the expected standard deviation of the distribution of allowance prices one year in the future. For example, if the expected value of the price one year

in the future is \$1 and the option-implied volatility is 25 percent, this implies that the probability that the price will be within 25 percent of \$1 (i.e., between \$0.75 and \$1.25) is 68.2 percent assuming that the price is distributed log-normally. Option-implied volatility refers to volatility estimates that are derived by analyzing the price and other terms of an option contract compared with the price of CO₂ allowances.

Categories of Firms Participating in the RGGI Market

Participation in the RGGI market involves many different firms with various interests in RGGI allowances. Some participate in order to satisfy compliance obligations, others have investment interests, and still others participate for both purposes. To more effectively track the activity of different participants, we use several classifications for participant firms. Figure 1 summarizes the relationship between these classifications.

Figure 1: Classifications of Participant Firms in the RGGI Marketplace



- *Compliance-oriented entities* are compliance entities that appear to acquire and hold allowances primarily to satisfy their compliance obligations.
- *Investors with Compliance Obligations* are 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.
- *Investors without Compliance Obligations* are 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.⁵ Combines the first and second of the above categories.
- *Investors* – All firms which are assessed to be purchasing primarily for investment rather than compliance purposes. Combines the second and third of the above categories.

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 2026, (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. Therefore, some of the quantities in this report may not match previous reports because of changes in the classification of particular firms.

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 other compliance entities (i.e., entities with compliance obligations that are not included in the compliance-oriented category).

⁵ 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.

C. SUMMARY OF PRICES

This section summarizes prices in the secondary market for RGGI CO₂ allowances in the fourth quarter of 2025. Figure 2 summarizes transaction prices in the secondary market for CO₂ allowances, including the prices of allowance transfers registered in COATS⁶ and the prices of futures contract trades on the Intercontinental Exchange (“ICE”) and on the Nodal Exchange (“NEX”). Figure 3 analyzes the trading of options for RGGI allowance futures which firms use to hedge exposure to fluctuations in allowance prices.

Key observations regarding RGGI CO₂ allowance prices and options trading:

- Following the publication of revisions to the RGGI Model Rule on July 3rd, prices initially fell to around \$21 but then rose near \$23 by the end of the third quarter. In the fourth quarter, prices continued moving upward and peaked at \$29 in early December but then decreased to around \$26 by the end of the month. Auction 70 cleared at \$26.73 on December 3rd, roughly \$2 below the prevailing prices at the time but near prices following the auction. The Cost Containment Reserve (“CCR”) will not be available again until the March 2026 auction at a CCR Trigger Price of \$18.22.
- As a result of the Third Program Review, RGGI will make “Tier 2” CCR allowances available at a Trigger Price that will be 50 percent higher than the Tier 1 CCR Trigger Price starting in 2027. Accordingly, the Tier 2 CCR Trigger Price will be set to \$29.25 in 2027. In late-November and early-December, RGGI futures prices rose to levels indicating some market participants anticipated full depletion of the Tier 2 CCR in 2027.⁷ However, by the end of December, future prices had fallen to levels consistent with the Tier 2 CCR going unutilized in 2027.⁸
- Options trading volume in the fourth quarter of 2025 increased by 81 percent from the third quarter of 2025. Average option implied volatility fell significantly following the announcement of the results of the Program Review in July before rising considerably in the fourth quarter. Put options exhibited higher implied volatility than call options, indicating that some market participants perceive a larger risk of downward movements in RGGI allowance prices.

⁶ Parties are required to report the transaction price if there is an underlying financial transaction related to the transfer of allowances between accounts.

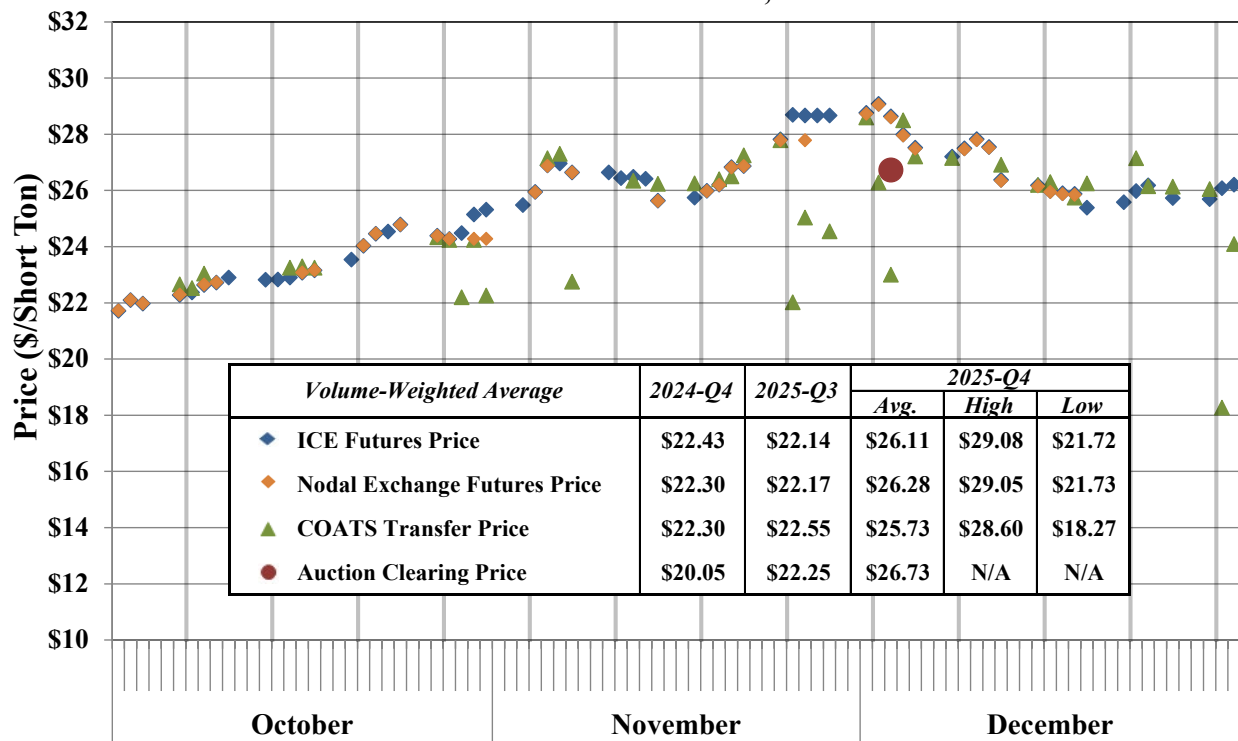
⁷ From November 24 to December 4, futures contracts for delivery in December 2027 traded above \$29.25.

⁸ After December 11, futures contracts for delivery in December 2027 traded below \$28.

Prices of CO₂ Allowances and Allowance Derivatives

Figure 2 summarizes prices in the secondary market for allowances usable for compliance in the sixth control period. The blue diamonds show the price of futures trades on ICE, and orange diamonds show futures trades on Nodal Exchange on days with trading volume. The green triangles show the volume-weighted average prices of physical deliveries registered in COATS on days with transactions when the price was recorded (“COATS transactions”). The red circle shows the clearing price of allowances that were sold in RGGI Auction 70 on December 3rd. Figure 2 also shows volume-weighted average prices for each category in the fourth quarter of 2025 compared to the previous quarter and the fourth quarter of the previous year.

**Figure 2: Prices in the Secondary Market for RGGI CO₂ Allowances⁹
October 1 to December 31, 2025**



⁹ Sources: Auction clearing prices are available [here](#), ICE futures prices are available [here](#), NEX futures prices are available [here](#), and the prices of physical deliveries are based on information in COATS. Futures prices are shown for the prompt month contract settlement price even if the volume traded was for another contract. Average COATS Transfer Prices for previous quarters have been updated to reflect transactions reported after the compilation of data for previous quarterly reports.

Key observations regarding CO₂ allowance prices:

- At the beginning of the fourth quarter, prices were slightly lower, near \$22, but then continued the upward trend peaking at \$29 in early December and then decreased to about \$26 by the end of the month. Auction 70 cleared at \$26.73 on December 3rd, roughly \$2 below the prevailing prices at the time but near prices following the auction.
- On most days in the quarter, COATS prices were generally consistent with futures prices. However, a small number of COATS transfers were priced significantly below prevailing levels. For these transactions, the terms were likely agreed upon at an earlier date or part of a larger agreement.
- The clearing price in Auction 70 (on December 3rd) was \$26.73, which was about \$2 lower than secondary prices in the days leading up to the auction.

Prices of Options for CO₂ Allowances

The clearing prices of option contracts provide insight about how the market expects the price of the underlying commodity to move in the future. The price of an option depends on two factors: (i) the expected value of the underlying commodity relative to the strike price of the option, and (ii) the expected volatility of the underlying commodity over the period before the expiration date. When call option price decreases coincide with put option price increases, it signals a decrease in the expected price of the underlying commodity. Conversely, when call option prices and put option prices move in the same direction, it signals a change in the expected volatility of the underlying commodity price. Key observations regarding the pricing of options for CO₂ allowances:

- We observed 76 option trades recorded on ICE in the third quarter, up from 55 in the previous quarter. There were 26 calls and 35 puts traded for settlement in December 2025, and 4 calls and 10 puts traded for settlement in March 2026. Prior to the first quarter of 2025, option trades with expirations for months other than December were infrequent. All call option trades had strike prices between \$25 and \$31, while puts had strike prices between \$17 and \$25.

Volatility of CO₂ Allowance Prices

Market-based emissions reduction initiatives such as RGGI are designed to give firms efficient incentives to reduce or offset emissions. In the short-term, high-emitting generators will operate less frequently in favor of low-emitting generators. In the long-term, the market will affect the decisions of firms to develop offset projects, retire older inefficient generation, and perform

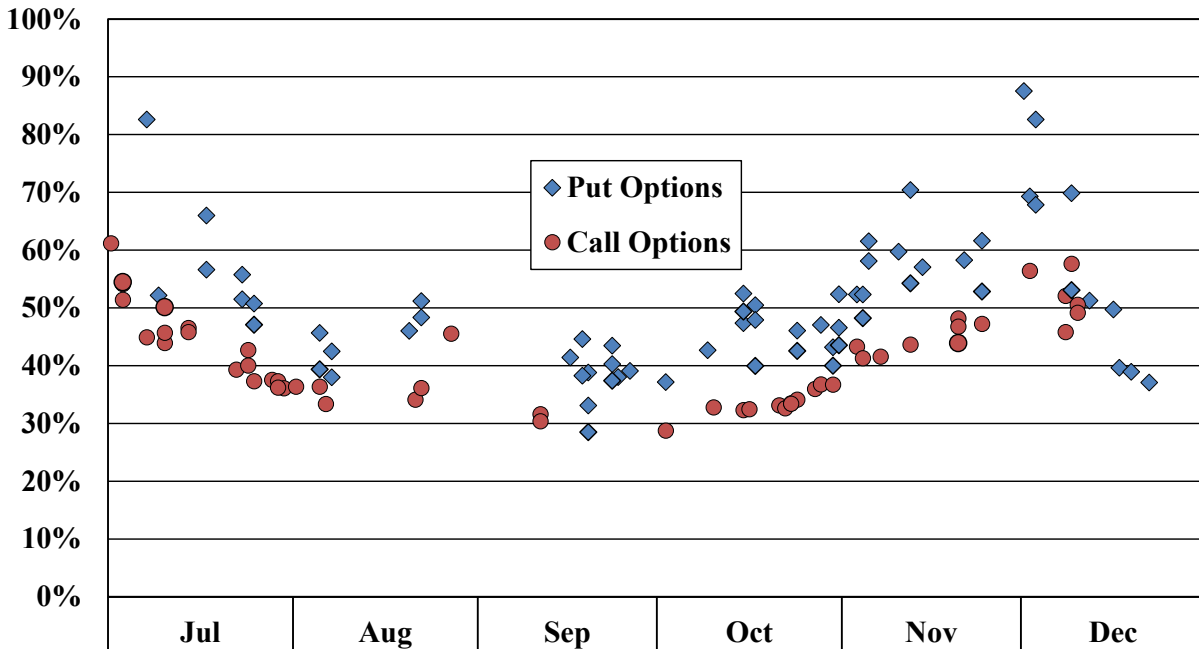
maintenance that increases fuel efficiency and lowers carbon-intensity. Predictable CO₂ allowance prices decrease the risks associated with making long-term investments in reducing CO₂ emissions. Since CO₂ allowance prices can be volatile, the availability of futures and options contracts allows firms to protect themselves from the risks of such investments.

Expected price volatility is affected by elements of RGGI that promote allowance price stability. Potential upward price movements are limited by the Cost Containment Reserve (“CCR”), which allows for the sale of a fixed number of allowances in addition to the cap if the auction clearing price reaches the CCR Trigger Price. Potential downward price movements are limited by the Reserve Price, which currently prevents allowances from being sold in the auction at a price below \$2.50, and the Emissions Containment Reserve (“ECR”), which withholds allowances from circulation if prices fall below an established Trigger Price.¹⁰

One measure of the volatility of CO₂ allowance prices is known as option-implied volatility, which measures the volatility that is implied by the trading of option contracts for CO₂ allowances. If a firm perceives that CO₂ allowance prices are volatile, the firm may be willing to pay a high price for an option contract that protects it from unforeseen allowance price fluctuations. Likewise, if a firm perceives that CO₂ allowance prices are relatively stable, the firm will be willing to pay relatively little for the same option contract. Figure 3 shows the option-implied volatilities of option trades over the most recent six-month period.

¹⁰ The sizes and Trigger Prices of the CCR and ECR were set in accordance with the 2017 Model Rule. In 2025, the CCR Trigger Price is set at \$17.03 and the ECR Trigger Price is set to \$7.86, and both will rise 7 percent each year until 2027. Details are provided [here](#). The Updated Model Rule, released on July 3, 2025, will replace the 2017 Model Rule starting in 2027 and includes a larger volume, two-tiered CCR where the second tier volume is released if an additional, higher CCR Trigger Price is reached. The Tier 1 CCR Trigger Price will escalate 7 percent per year starting in 2027 from the level of the 2026 CCR Trigger Price. The Tier 2 CCR Trigger Price will be set 50 percent higher than the Tier 1 CCR Trigger Price each year beginning in 2027. The Updated Model Rule also replaces the ECR mechanism with an increased minimum reserve price. The CCR Trigger Prices and Minimum Reserve Price will increase 7 percent each year and are described [here](#).

**Figure 3: Option-Implied Volatility of CO₂ Allowance Futures Prices
October 1 to December 31, 2025**



Observations regarding the option-implied volatility of CO₂ allowance prices shown in Figure 3:

- The Cost Containment Reserve helps reduce the risk of upward variations in allowance prices, and it was exhausted in March 2025 in Auction 67. In the second quarter of 2025, volatility was 61 percent, up from 43 percent in the second quarter of 2024.
- In the fourth quarter of 2025, option implied volatility remained below 50 percent, averaging 48 percent for the quarter compared to 44 percent in the third quarter.
- The number of options traded in the fourth quarter of 2025 was 81 percent higher than the third quarter of 2025.
- Put options implied more expected allowance price volatility than call options in the third and fourth quarters. Put option contracts, which give the right but not the obligation to sell at a specified price, are often used by buyers to hedge against downward price adjustments in the underlying asset. The high but declining volatility trend of put options in the third quarter coincided with the completion of the Third Program Review. Option-implied volatility rose again in October and November before falling in December to levels seen in September.

D. VOLUMES AND OPEN INTEREST

This section evaluates the volume of COATS transactions (i.e., transfers of CO₂ allowances between unaffiliated parties as recorded in COATS) as well as the volume of trading and the level of open interest in exchange-traded futures and options. Figure 4 examines the volumes of transactions recorded in COATS and of futures trading. Figure 5 summarizes the level of open interest in exchange-traded RGGI futures and option contracts. Figure 6 evaluates the concentration of firms with open interest in exchange-traded RGGI futures and option contracts. Figures 7 and 8 show the levels of participation in the market for exchange-traded RGGI futures and option contracts by various categories of firms.

Key observations regarding trading volumes and open interest in the fourth quarter of 2025:

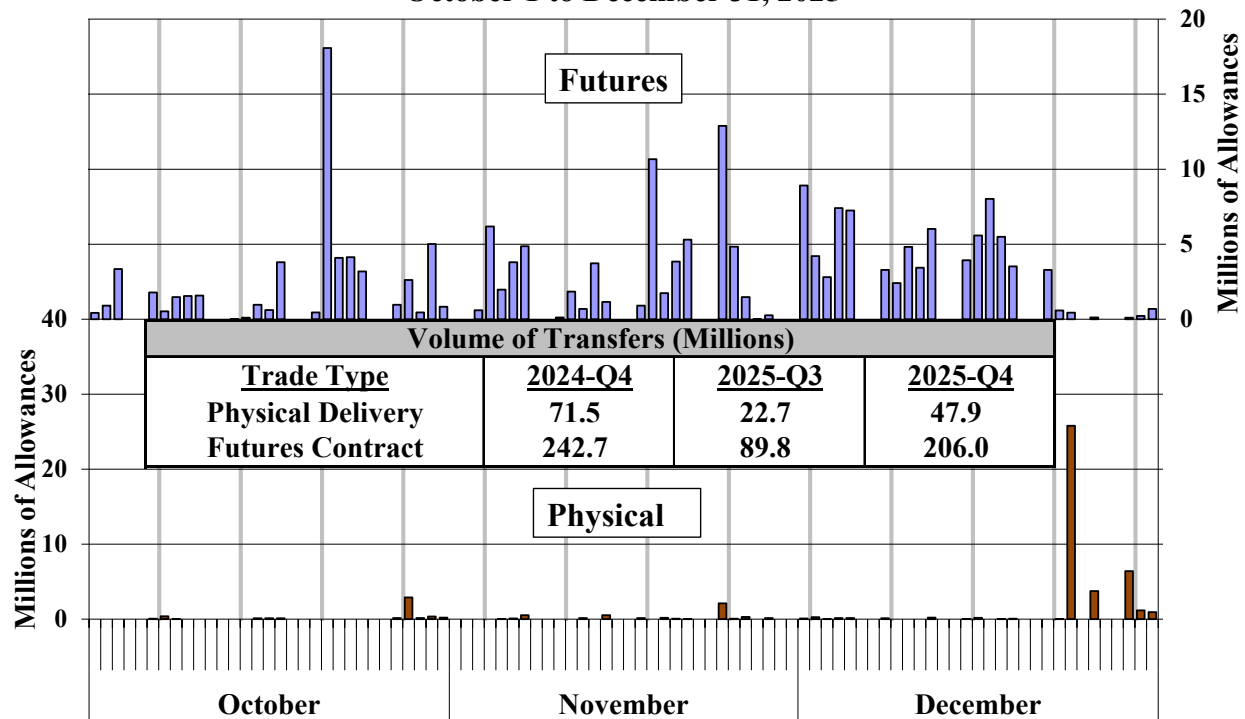
- Futures trading volume was 206 million CO₂ allowances in the fourth quarter of 2025, 116 million more than the previous quarter but 37 million less than the fourth quarter of 2024.
- Physical allowance transfers between unaffiliated firms totaled 48 million, 111 percent higher than the third quarter of 2025 but 33 percent less than in the fourth quarter of 2024.
- Open interest in RGGI futures and options decreased from 115 million allowances at the end of the previous quarter to 99 million by the close of the fourth quarter of 2025.
- There were 175 million CO₂ allowances in circulation at the end of the quarter. Compliance-oriented entities held approximately 125 million of the allowances in circulation (71 percent). Approximately 129 million of the allowances in circulation (74 percent) are believed to be held for compliance purposes.

Volume of CO₂ Allowance Transfers, Futures, and Options

Figure 4 summarizes the volume of transfers of CO₂ allowances between the COATS accounts of unaffiliated firms and the volume of trading of RGGI futures listed on ICE and NEX.¹¹ The figure also shows the volume of transfers in the fourth quarter of 2025 compared to the previous quarter and the fourth quarter of 2024.

¹¹ Firms are categorized as affiliated based on available information. As a result, calculations in previous reports may be inconsistent with this report if new information becomes available. Furthermore, the COATS transfer totals from previous quarters have been revised from previous reports to reflect late-reported transactions.

**Figure 4: Volume of CO₂ Allowance Transfers Between Unaffiliated Parties
October 1 to December 31, 2025**



Key observations regarding physical CO₂ allowance transfers between unaffiliated firms:

- The volume of CO₂ allowance transfers between unaffiliated firms was 48 million, 25 million more than the third quarter 2025 but 24 million fewer than the fourth quarter of 2024.
- Most CO₂ allowance transfers occurred in the last few business days of the month when futures contracts settle, reflecting that most result from settlement of futures contracts.

Key observations regarding the volume of trading of RGGI futures and options contracts:

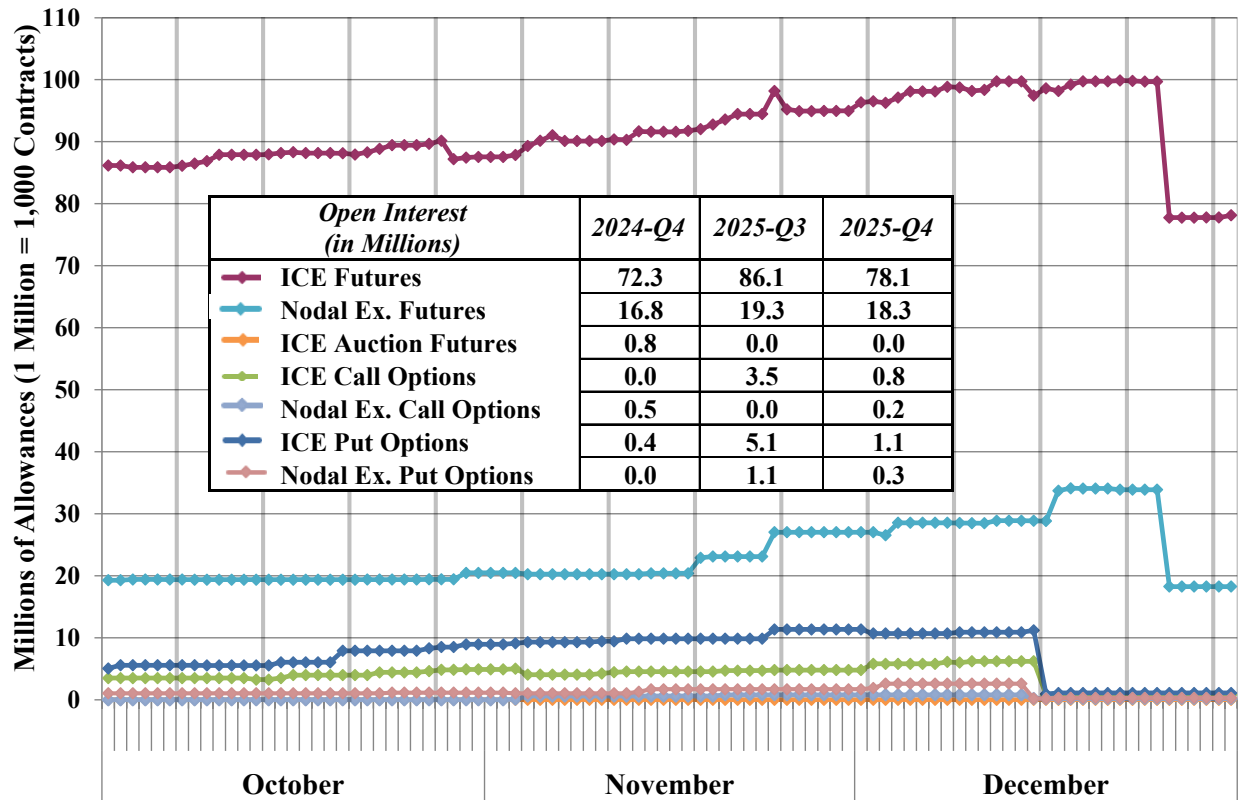
- The total volume of RGGI futures trading was 206 million allowances in the fourth quarter of 2025, 129 percent more than the third quarter of 2025 trading volume but 15 percent lower than the fourth quarter 2024 trading volume.
- Of futures trading volumes during the quarter, approximately 46 percent was for contracts that settle in December 2025, 33 percent was for contracts that settle in December 2026, and 6 percent was for contracts that settle in December 2027.

Open Interest in Exchange-Traded RGGI Futures and Options

Figure 5 summarizes the level of open interest in exchange-traded futures and options listed on ICE and Nodal Exchange during the fourth quarter of 2025. The red line shows the level of open

interest in futures contracts on ICE. The teal line shows the level of open interest in futures contracts on NEX. The green line shows the level of open interest in call options on ICE. The blue line shows the level of open interest in put options on ICE. The orange line shows the level of open interest in auction futures¹² on ICE, while the purple line shows NEX call options.

**Figure 5: Open Interest in RGGI Futures and Options
October 1 to December 31, 2025**



Key observations regarding the level of open interest in RGGI futures and options:

- Open interest in RGGI futures on ICE rose from 86 million to 100 million allowances between October and the last full week of December. In the last few days of December, ICE

¹² RGGI Auction Futures are a product which converts to long or short RGGI futures contracts on the day of publication of the Market Monitor Report for a specific auction. Positions opened in the RGGI futures contract will be priced at the Auction Clearing Price as specified in the Market Monitor Report. The futures contract vintage will be the month and year in which the auction is held. For more information see [here](#).

futures open interest fell to 78 million allowances as futures with December 2025 expiration settled.

- Nodal Exchange futures open interest changed little from the prior quarter.
- Nodal Exchange and ICE options open interest decreased from the prior quarter as most open contracts reached expiration in mid-December.

Concentration of Open Interest

Additional information about the trading of futures, forwards, and options is available in the weekly Commitments of Traders (“COT”) reports, which are published by the Commodity Futures Trading Commission (“CFTC”)¹³ for each week when greater than 20 firms have reportable positions in a particular product.

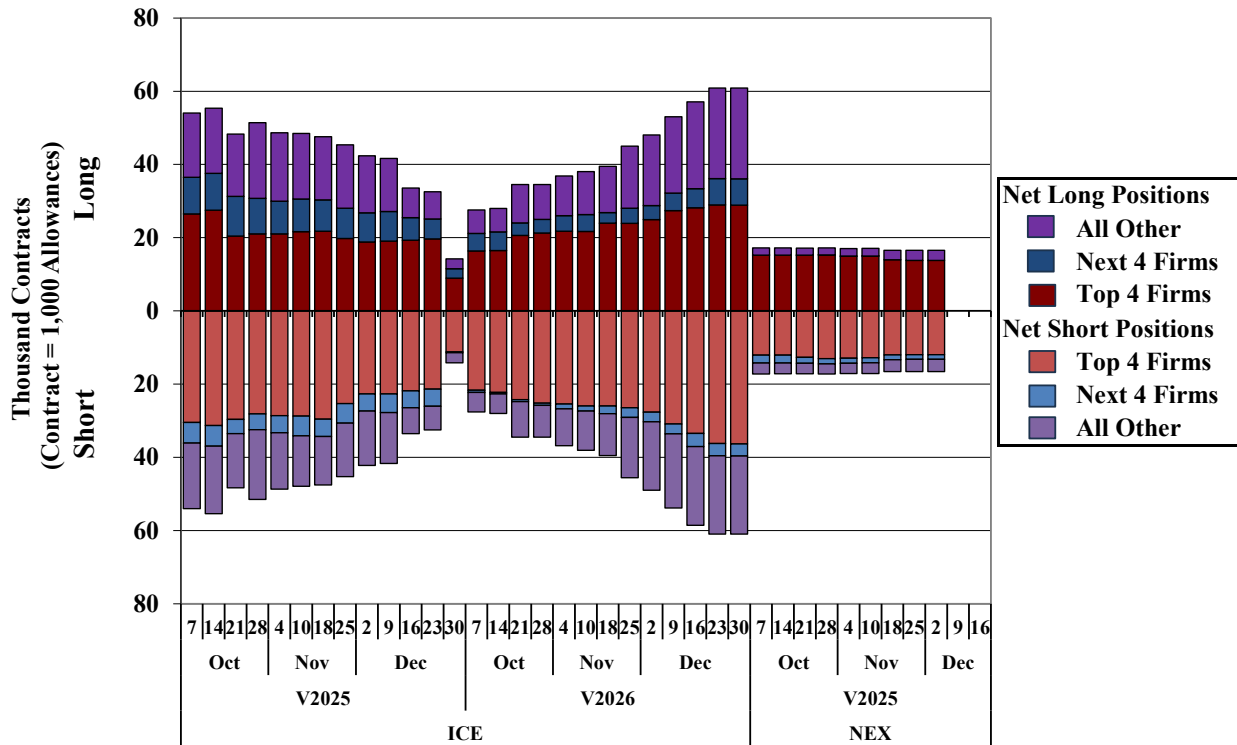
Figure 6 summarizes the concentration of open interest in 2025 and 2026 vintage ICE futures and options contracts and 2025 NEX futures contracts reported during the quarter by the CFTC. The figure reports the net long positions in three categories: (i) the four firms with the largest long positions, (ii) the four firms with the largest long positions not including the Top 4, and (iii) all other long positions. The figure also reports the net short positions in three categories: (i) the four firms with the largest short positions, (ii) the four firms with the largest short positions not including the Top 4, and (iii) all other short positions.

Key observations regarding the concentration of open interest:

- ICE 2025 Vintage open interest in reportable positions decreased during the quarter, while ICE 2026 Vintage open interest in reportable positions rose.
- For 2025 Vintage open interest, the top four firms with long positions and the top four with short positions accounted for the majority of open interest throughout the quarter. However, the share of ICE positions held by the top firms decreased some as the top four firms open interest in 2025 Vintage contracts decreased slightly. Open interest in NEX contracts was more concentrated than for ICE contracts.

¹³ Each day, firms with an open interest of 25 contracts or more must report their positions to the CFTC. Each Tuesday, the CFTC issues the COT report summarizing the long and short positions of market participants.

**Figure 6: Concentration of Open Interest in ICE Futures and Options
October 1 to December 31, 2025**



Participation in the Market for RGGI Derivatives

Figure 7 summarizes the concentration of open interest by category of trader as defined by the CFTC: producers/merchants, swap dealers, money managers, spread, and other, which includes the CFTC’s categories of “Other” and “Non-reportable.” Producers/merchants represent the group of traders who use futures markets to hedge risks associated with their own production or ‘handling’ of RGGI allowances. This category most closely aligns with the compliance entity category used in this report but could potentially also include energy management companies that are not engaged directly with the generation of emissions but help others comply. A swap dealer is defined as an entity that deals primarily in swaps and may do so on behalf of speculative traders or companies trying to reduce risk. In general, a money manager represents an entity that offers trading advice or manages futures trading for others. An investor without a compliance obligation would likely be classified as a money manager or potentially a swap dealer. In addition, if a trader has offsetting short and long positions, the associated quantity is included in a separate spread category. Finally, if a trader is not readily classified in a specific

category, it is classified as “Other.” The assignment of an entity to a CFTC category may change over time depending on changing activities of the entity or new information.

Figure 8 shows the number of traders by the same CFTC trader categories described above except “Spread” is included in “Other.” At least four entities must be included in a category for CFTC to report the number of traders in a category. For that reason, a category may appear in Figure 7 for a particular vintage but be absent from Figure 8 if there are not at least four distinct traders in the category. The sum of the number of traders within the long and short categories will typically exceed the total number of traders since a single trader may have both long and short positions. For more refined descriptions of the CFTC classifications, see www.cftc.gov.

**Figure 7: Concentration of Open Interest in ICE Futures and Options by Type
October 1 to December 31, 2025**

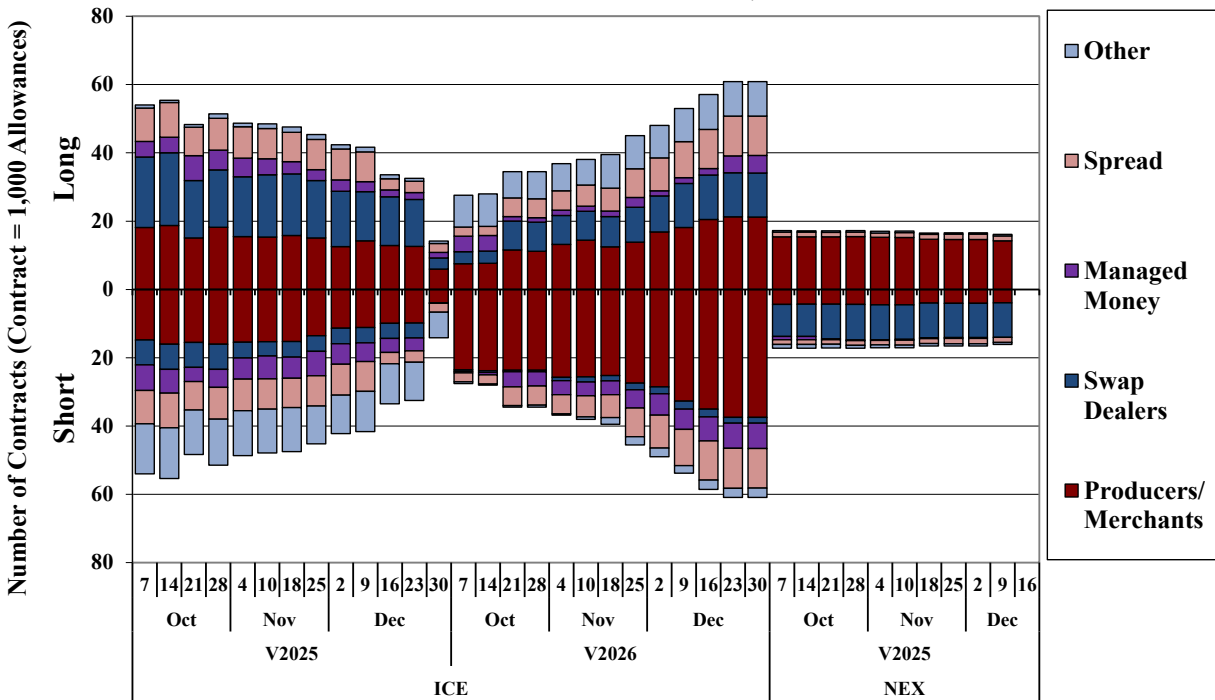
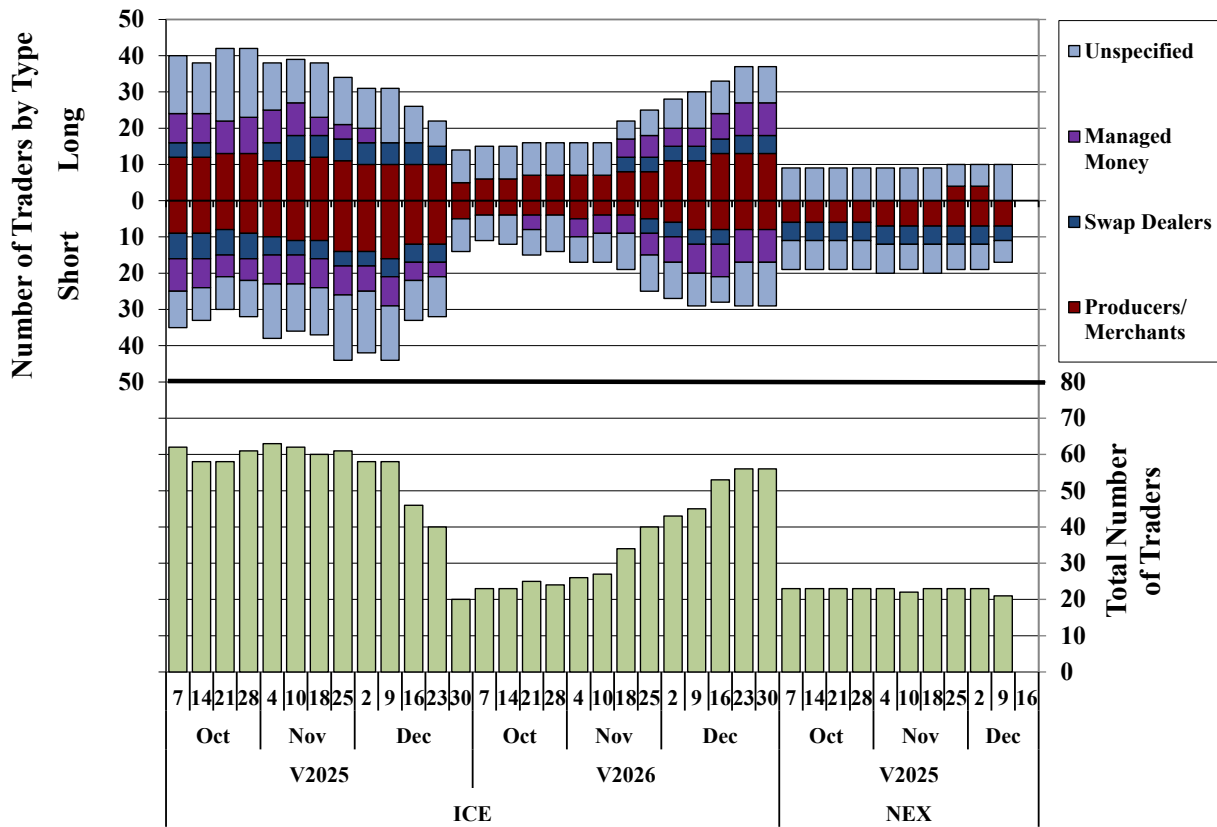


Figure 8: Number of Traders in ICE Futures and Options by Type
October 1 to December 31, 2025



Key observations regarding participation by various categories of firms:

- For each vintage, the top four firms make up a significant portion of total open interest. A minimum of 41 percent of long positions and a minimum of 54 percent of short positions are attributable to the top four firms.
- During most of the quarter, producers/merchants typically accounted for about one-third of ICE 2025 Vintage open interest long positions, but their share was 42 percent at the end of the quarter. Producers/merchants accounted for an average of 89 percent of all NEX 2025 Vintage open interest long positions. Producers/merchants are expected to account for a large portion of long positions since most eventually must acquire allowances to satisfy their compliance obligations. Producers/merchants' share of long positions exceeds that of short positions for ICE 2026 Vintage open interest, which is an atypical pattern.
- The CFTC does not publish firm-level information on open interest, although the information they publish provides an indication of the upper limits of the net long and net short positions of individual firms. Combined with firm-specific information about CO₂ allowance holdings from COATS, the information on open interest that is published by the CFTC is useful for evaluating the potential for a firm to hoard RGGI CO₂ allowances, which is discussed further in Section E.

E. DISCUSSION OF MARKET MONITORING

As the RGGI Market Monitor, we monitor trading in the secondary CO₂ allowance market in order to identify anticompetitive conduct. Additionally, the Commodity Futures Trading Commission (“CFTC”) evaluates trading in the secondary CO₂ allowance market consistent with its role as the regulator of derivative markets in the U.S. This section discusses two types of anti-competitive conduct for which we monitor. As in previous reports on the secondary market, we find no evidence of anti-competitive conduct.

In any commodity market, one potential concern is that a firm could hoard a substantial share of the supply of a commodity to influence prices or to prevent a competitor from obtaining CO₂ allowances. Hence, we screen information on the holdings of CO₂ allowances and allowance-derivatives and the demand for allowances to identify firms that might acquire a position that raises competitive concerns. The ability of an individual firm to hoard is limited by the substantial private bank of CO₂ allowances that has been accumulated and also by the market rules, particularly the auction rules that limit the amount of allowances that can be purchased by a single party or group of affiliated parties in a single offering to 25 percent.

Another potential concern is that a firm expecting to purchase CO₂ allowances in the auction might sell a large number of futures contracts in an effort to push the price of the contracts below the competitive level. Such a firm might profit from buying a large number of CO₂ allowances in the auction at a discount if the bidding in the auction were influenced by the depressed futures price. For this to be a profitable strategy, the firm would need to be able to substantially depress the futures price with a relatively small amount of sales—an amount smaller than the amount of CO₂ allowances it planned to buy in the auction. The best protection against this strategy is a market where other firms respond by making additional purchases. Firms that are looking for an opportunity to reduce their short positions or to purchase CO₂ allowances for their future compliance needs help limit the effectiveness of a strategy to depress prices below the competitive level. Nevertheless, the CFTC has access to confidential transaction data, which allows it to monitor for evidence of manipulative conduct.