RGGI Inc.

Regional Greenhouse Gas Initiative, Inc.
90 Church Street, 4th Floor
New York, NY 10007

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Contact: Kelly Ziegler
212-417-3179
Kelly.ziegler@rggi.org

2011 Annual Market Monitor Report: RGGI CO_2 Allowance Market Remains Competitive

NEW YORK, NY—No evidence of anti-competitive conduct has been found in the market for Regional Greenhouse Gas Initiative (RGGI) CO_2 allowances, according to the independent market monitor's 2011 *Annual Report on the Market for RGGI CO_2 Allowances*, released today. The independent market monitor, Potomac Economics, continues to find no material concerns regarding the auction process, barriers to participation in the auctions, competitiveness of the auction results, or in the competitiveness of the secondary market for RGGI allowances.

The report evaluates activity in the market for RGGI CO_2 allowances in 2011, focusing on allowance prices, trading and acquisition of allowances in the auctions and secondary market, participation in the market by individual firms, and market monitoring.

Compliance entities consistently acquired the majority of CO_2 allowances in each auction in 2011, purchasing 91 percent of the allowances sold for the first control period and 69 percent of the allowances sold for the second control period.

According to the independent market monitor, the volume weighted average auction price for first control period CO_2 allowances fell 2 percent from $1.93 in 2010 to $1.89 in 2011. The auctions for first control period CO_2 allowances cleared at the reserve price in each of the last six auctions of the control period, reflecting the excess supply of allowances for the first control period. Futures prices for first control period CO_2 allowances remained stable throughout 2011 with monthly average prices ranging from a low of $1.87 in August to a high of $1.94 in March.

Additional details are available in the report at: http://www.rggi.org/docs/MM_2011_Annual_Report.pdf

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 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.

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 at the end of each three-year control program. RGGI's second control period began on January 1, 2012 and extends through December 31, 2014. CO_2 allowances issued by any state are usable across all state programs, so that the individual state CO_2 budget trading programs, in aggregate, form one regional compliance market for CO_2 emissions. For more information visit www.rggi.org

About Regional Greenhouse Gas Initiative, Inc.

Regional Greenhouse Gas Initiative, Inc. (RGGI, Inc.) is a 501(c)(3) nonprofit organization created to provide technical and administrative services to the states participating in the Regional Greenhouse Gas Initiative. For more information, visit: www.rggi.org/rggi

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