RGGI Inc.

Regional Greenhouse Gas Initiative, Inc.
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Release

Annual Report on the Market for RGGI CO_2 Allowances: 2014

Report

May 5, 2015 — 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 2014 *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 the competitiveness of the secondary market for RGGI CO_2 allowances.

Firms acquire the RGGI CO_2 allowances in the primary market, mainly the RGGI CO_2 allowance auctions, and can also buy and sell CO_2 allowances in the secondary market. According to the market monitor, the average 2014 auction clearing price was $4.72, a 62 percent increase from $2.92 in 2013. Secondary market prices were generally consistent with auction prices at an average price of $4.82.

The RGGI CO_2 allowance auctions are still the primary means by which firms acquire allowances, but there was significant increased volume in the secondary market. Futures trading volume rose 38 percent from 2013 to 2014. Futures trading activity was highest in the fourth quarter of 2014.

Demand for allowances at auction also increased in 2014. For the second year in a row, no allowances offered at auction have gone unsold. The demand for CO_2 allowances was dispersed relatively widely across firms, inviting widespread participation in the auctions. The number of auction participants in 2014 remained at an average of 45 bidders. Participation by many firms promotes competition and helps ensure that CO_2 allowance prices are determined efficiently.

Compliance entities held 85 percent of the CO_2 allowances in circulation at the end of 2014, an increase from 81 percent at the end of 2013.

The annual report by Potomac Economics evaluates activity in the RGGI CO_2 allowance market 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.

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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. The 2015 RGGI cap is 88.7 million short tons. The RGGI cap then declines 2.5 percent each year until 2020. The RGGI states also include interim adjustments to the RGGI cap to account for banked CO_2 allowances. The 2015 RGGI adjusted cap is 66.8 million short tons.

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 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

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.