RGGI Inc.

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

Release

Annual Report on the Market for RGGI CO_2 Allowances: 2015

Report

May 20, 2016 — 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 2015 *Annual Report on the Market for RGGI CO_2 Allowances*, released today.

In reviewing the four auctions in 2015, the market monitor found no material concerns regarding the auction process, barriers to participation in the auctions, or the competitiveness of the results. Further, the market monitor found no evidence of anti-competitive conduct in the secondary market for CO_2 allowances, and found that firms have generally purchased quantities of allowances that are consistent with their expected needs.

Firms acquire 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 auction clearing price increased 29 percent from $4.72 in 2014 to $6.10 in 2015. Volume-weighted average prices in the secondary market increased to an average of $6.48 in 2015.

Although the auctions are still the primary means by which firms acquire CO_2 allowances, many individual firms relied primarily or exclusively on the secondary market in 2015. The volume of futures trading rose 98 percent. Trading activity was highest in the fourth quarter of 2015.

Participation in the RGGI market was broad in 2015, with the demand for CO_2 allowances dispersed relatively widely across firms. The average number of auction participants increased from 45 in 2014 to 50 in 2015. Participation by many firms promotes competition and helps ensure that CO_2 allowance prices are determined efficiently.

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 third 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 2016 RGGI cap is 86.5 million short tons. The RGGI cap declines 2.5 percent each year until 2020. The RGGI states also include interim adjustments to the RGGI cap to account for banked CO2 allowances. The 2016 RGGI adjusted cap is 64.6 million short tons.

RGGI is composed of individual CO2 budget trading programs in each state, based on each state's independent legal authority. A CO2 allowance represents a limited authorization to emit one short ton of CO2, as issued by a respective state. A regulated power plant must hold CO2 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.