



The Regional Greenhouse Gas Initiative, Inc.

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Material Information Management Policy

1. Introduction

RGGI, Inc. expects to gather and produce extensive information during the RGGI auction process. The Board of Directors of RGGI, Inc. recognizes that appropriate management of material information is important to ensuring a fair and credible auction program. Auction participants and private parties engaged in a “secondary market” for RGGI allowances should receive access to material information in a fair and deliberate manner.

This policy establishes procedures for management of material information about the RGGI program. The policy applies to RGGI, Inc. employees and contractors. RGGI, Inc. anticipates that each Participating State will take appropriate measures to ensure that agency heads and agency staff will collaborate with RGGI, Inc. in a manner consistent with this policy.

A second purpose of this policy is to provide guidance for RGGI, Inc. employees and contractors, as well as Participating State agency heads and agency staff, on the impact of material information on market participants. As RGGI programs transition from design to implementation, material information about the RGGI allowance markets, such as the number of auction bidders or the amount of financial security provided, becomes valuable to potential market participants. In the context of markets for RGGI allowances, the improper release of material information will create asymmetric knowledge of the RGGI market and can undermine the fairness and integrity of the RGGI auction program.

RGGI, Inc. also recognizes the importance of open communication among state agencies for deliberative purposes and that public disclosure of draft or deliberative materials by state agencies is governed by each state’s rules and/or laws.

2. Definitions

The following definitions identify core concepts that commonly apply to administrators and participants in financial markets similar to the auction and secondary markets for RGGI allowances. These definitions are based on existing U.S. securities law.

2.1 Information has been defined as “material” for purposes of U.S. securities laws in circumstances where: (i) there is a “substantial likelihood” that a “reasonable investor” would consider the information important in making an investment decision; (ii) the disclosure of the information would be “viewed by the reasonable investor as having significantly altered the ‘total mix’ of information made available;” or (iii) the disclosure of the information is “reasonably certain to have a substantial effect on the market price of the security.”

2.2 The Securities Exchange Commission has stated that information is “non-public” if it has not been disseminated in a manner making it available to market participants generally.

3. Types of Material Information

3.1 There will be a wide range of material information produced during the administration of RGGI programs. This policy creates three categories of material information:

Public information: information which RGGI, Inc. and/or any of the participating states have intentionally released to the public. For example, public information includes the dates of future auctions, the auction reserve price, or the number of allowances for sale in an auction.

RGGI, Inc. employees and contractors can generally disclose public information, but should coordinate media communications through Executive Committee protocols.

Sensitive information: information related to implementation of the RGGI auction that has not been intentionally released to the public.

RGGI, Inc. employees and contractors are authorized to disclose sensitive information only to other RGGI, Inc. employees and contractors as well as Participating State agency heads and agency staff.

Confidential information: specific types of information directly related to the auction or secondary markets for RGGI allowances as defined below:

- The names and number of qualification applications for each auction
- The names and number of approved bidders for each auction

- Information related to financial security including the names of parties who have provided financial security, the amount of each bidder's financial security, and the aggregate amount of financial security for each auction
- The auction clearing price, until the Board announces the results of an auction, and
- ongoing market monitoring investigations

RGGI, Inc. employees and contractors are not authorized to disclose confidential information to any person beyond the specific guidelines detailed in section 5 of this policy.

3.2 RGGI, Inc. employees, directors, contractors and committee members are encouraged to consult with the Executive Director of RGGI, Inc. to resolve any questions they may have on how to categorize information in their possession.

4. Management of Sensitive Information

4.1 Sensitive information can be distributed among RGGI Inc. employees and contractors, as well as Participating State agency heads and agency staff.

4.2 RGGI, Inc. employees and contractors should not disclose sensitive information to any member of the public without the authorization of the RGGI, Inc. Executive Committee.

4.2 Following an Executive Committee decision to disclose sensitive information to the public, the Strategic Communications Team will manage how that information is communicated.

5. Management of Confidential Information

Disclosure of each specific type of confidential information is restricted as follows:

5.1 The names and number of qualification applications. This information will be retained by World Energy and may be disclosed only to the members of the Agency Staff Team, the RGGI, Inc. Executive Director and the RGGI, Inc. Auction Manager.

5.2 The names and number of qualified applicants. This information will be retained by World Energy and not disclosed, except to the market monitor and as part of the auction administrator and market monitor's confidential report to Agency Heads. Statistical information about the industry sector, state of origin,

etc. of qualified applicants may be disclosed to members of the Agency Staff Team.

5.3 The names and number of approved bidders. This information will be retained by World Energy and not disclosed, except to the market monitor and as part of the auction administrator and market monitor's confidential report to Agency Heads.

5.4 Financial security data. Information about cash financial security will be available only to those individuals who the Executive Committee has authorized to view the auction proceeds account. This will include the Executive Committee, the Executive Director, and World Energy. Information about Letters of Credit and Bond Surety will be available only to the employees of RGGI, Inc. and to World Energy. Evaluations of Letters of Credit and Bond terms will be made from documents with the amount of financial security excluded. Information about the aggregate amount of financial security will be retained by World Energy and not disclosed, except to the market monitor and as part of the auction administrator and market monitor's confidential report to Agency Heads.

5.5 The auction clearing price. This information will be retained by World Energy and shall be disclosed only to the market monitor and as part of the auction administrator and market monitor's confidential report to Agency Heads until the Board announces the results of an auction.

6. Reporting

6.1 Any RGGI, Inc. employee, director, contractor or committee member who is unsure whether information in their possession is material or whether that material information is public, sensitive or confidential should consult the Executive Director.

6.2 Any disclosure of sensitive or confidential information outside of the procedures of this policy should be immediately reported to the RGGI, Inc. Executive Director. RGGI Inc employees and contractors should understand that the damage from unauthorized disclosure of material information, whether intentional or unintentional, may be contained through timely publication of the leaked information to ensure common knowledge among potential market participants.

7. Enforcement

A substantial and long-standing body of U.S. laws and regulations imposes significant prohibitions on acting on the basis of material information. RGGI, Inc. recognizes that these laws and regulations, together with federal and state anti-fraud statutes, form the foundation for any set of guidelines regarding the handling of material, non-public information.