

The logo for RGGI Inc. features the company name in a bold, blue, sans-serif font. Below the text is a stylized blue wave graphic that curves under the letters.

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For Immediate Release
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States Release Results of Third Auction for RGGI CO₂ Allowances

2009 Vintage Allowances Sold at a Clearing Price of \$3.51

2012 Vintage Allowances Sold at a Clearing Price of \$3.05

(NEW YORK, NY) – The states participating in the Regional Greenhouse Gas Initiative (RGGI) today announced the results of the third auction for RGGI carbon dioxide (CO₂) allowances. The March 18th auction was the first since compliance obligations under RGGI's first three-year control period began January 1, 2009.

All of the 31,513,765 allowances for the 2009 vintage sold at a clearing price of \$3.51 per allowance.

In a parallel offering, the RGGI states also auctioned allowances for the second three-year control period beginning in 2012, providing a first-look at future market prices for RGGI CO₂ allowances. The 2,175,513 allowances for the 2012 vintage cleared at a price of \$3.05 per allowance. By the end of 2009, the RGGI states will have offered for sale 5% of the total supply of 2012 vintage allowances.

The auction raised \$117,248,629.80 for energy efficiency, renewable energy and other consumer benefit programs in the ten RGGI states (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island and Vermont).

"The states are very pleased with the results from the latest RGGI auction," said Pete Grannis, Chair of the Regional Greenhouse Gas Initiative, Inc. Board of Directors. "Our continued success provides further support for President Obama's position that a national cap and trade program with allowance auctions is the right policy for the country and the right approach for addressing the most pressing environmental and economic issue of our time: climate change."

Potomac Economics, RGGI, Inc.'s independent market monitor, observed the auction and confirmed that it was fair and consistent with noticed auction procedures. In its "Auction Report," Potomac found that there was "no material evidence of collusion or manipulation by bidders" and that the results were "consistent with competitive expectations." 50 separate entities submitted bids to purchase 2.5 times the available supply of 2009 allowances, and 20 entities

submitted bids to purchase 2.3 times the available supply of 2012 allowances. A total of 42 entities won allowances for the 2009 offering, in which bid prices ranged from \$1.86 (the minimum bid allowed) to \$10.00. 12 bidders won allowances for the 2012 offering, in which bid prices ranged from \$1.86 to \$4.40.

The Auction Report, issued by the market monitor following each RGGI auction, includes data on the dispersion of bids, provides summaries of purchased allowances, allowances won by bidders and bid prices, and, in accord with the Auction Notice for Auction 3, a list of Potential Bidders for Auction 3. Potential bidders are defined as "each Applicant that has been qualified and submitted a complete *Intent to Bid*." The list of 63 potential bidders demonstrates broad participation from compliance entities, financial institutions, and environmental organizations.

According to Potomac, compliance entities and their affiliates won 78 percent of the 2009 allowances and 93 percent of 2012 allowances. The high percentage of allowances won by compliance entities at auction continues a trend established in the two "pre-compliance" auctions held in September and December 2008 in which compliance entities won 80 percent and 85 percent of allowances, respectively.

"Once again RGGI, Inc. has administered a fair and competitive auction for RGGI CO₂ allowances," said Jonathan Schrag, Executive Director of the Regional Greenhouse Gas Initiative, Inc. "The report by our market monitor ensures a high level of transparency for RGGI auctions and confirms that our contractors, especially World Energy Solutions, are doing excellent work."

Compliance obligations for fossil fuel-fired electric generators under the 10-state CO₂ Budget Trading Programs took effect on January 1, 2009. RGGI's participating states held two "pre-compliance" auctions in September and December 2008, at which the clearing prices were \$3.07 and \$3.38, respectively. The RGGI participating states will hold quarterly auctions ensuring bidders ample opportunity to obtain the CO₂ allowances they need for compliance across the entire 10-state region. The next auction is scheduled for June 17, 2009.

The complete Auction Report for the RGGI CO₂ Allowance Auction 3 is available at: http://www.rggi.org/docs/Auction_3_News_Release_MM_Report.pdf

About the Regional Greenhouse Gas Initiative

The 10 Northeast and Mid-Atlantic states participating in RGGI (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Jersey, New Hampshire, New York, Rhode Island and Vermont) have designed the first market-based, mandatory cap-and-trade program in the U.S. to reduce greenhouse gas emissions. The participating states have regulations in place to cap and then reduce the amount of CO₂ that power plants in their region are allowed to emit, limiting the region's total contribution to atmospheric greenhouse gas levels. Power sector CO₂ emissions are capped at current levels 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.

A CO₂ allowance represents a permit to emit one ton of CO₂, as issued by a respective participating state. A regulated power plant must hold CO₂ allowances equal to its emissions to demonstrate compliance at the end of each compliance period. Because CO₂ allowances issued by any participating state will be usable across all state programs, the ten individual state CO₂

Budget Trading Programs, in aggregate, will form one regional compliance market for CO₂ emissions.

The RGGI auction was run on an on-line platform provided by World Energy Solutions, Inc (TSX: XWE), which operates online exchanges for energy and green commodities.

RGGI allowance transactions are recorded on the Carbon Dioxide Allowance Tracking System (COATS) developed by Perrin Quarles Associates, which designs and builds emissions database tracking systems.

All RGGI auctions are overseen by RGGI, Inc.'s independent market monitor, Potomac Economics, a leader in the field of monitoring and competitive assessment of wholesale electricity markets in the U.S.

For more information about RGGI, turn to: www.rggi.org

About Regional Greenhouse Gas Initiative, Inc.

RGGI, Inc. was created in September 2007 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 please visit: www.rggi.org/rggi

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MEMORANDUM

TO: RGGI, Inc.
RGGI Participating States

FROM: David Patton
Pallas LeeVanSchaick

DATE: March 20, 2009

RE: RGGI Auction 3 on March 18, 2009

As the Market Monitor for the RGGI CO₂ allowance market, Potomac Economics monitors the conduct of market participants in both the primary auctions and the secondary market to identify indications of market manipulation or collusion. We also review the administration of the auctions by World Energy. This memorandum summarizes our findings regarding RGGI Auction 3, which was held on March 18, 2009.

We observed the auction as it occurred and have completed our review and analysis of its results. Based on our monitoring of participant conduct in the auction, we find no material evidence of collusion or manipulation by bidders. The vast majority of bids were consistent with competitive expectations.

Participation in the vintage 2009 auction was robust with 50 separate entities submitting bids to purchase 2.5 times the available supply of allowances. This liquidity contributed to a clearing price of \$3.51/ton that is consistent with the underlying supply and demand fundamentals governing the CO₂ allowance market. It is also encouraging that compliance entities or their affiliates, which should value the allowances most highly, purchased 78 percent of the allowances in the auction. Although the total quantity of bids submitted declined from the previous auction, the quantity of bids priced above \$3/ton was relatively consistent. The decline of total bids reflects a reduction in the quantity of bids submitted at relatively low-price levels.

For the first time, a small number of allowances were auctioned from a future control period (the 2012 vintage year). Participation in the first auction for vintage 2012 allowances was also substantial with 20 entities submitting bids to purchase 2.3 times the available supply of allowances. Similar to the vintage 2009 auction, compliance entities or their affiliates purchased most of the allowances (93 percent) in the vintage 2012 auction. The first auction for vintage 2012 allowances resulted in a clearing price of \$3.05/ton, which provides useful information to the market regarding the value of allowances in future control periods.

Based on our review of the administration of the market, we found that:

- The auction was administered in a fair and transparent manner in accordance with the noticed auction procedures and limitations.

- The auction results were consistent with the market rules and the bids received.
- Sensitive information was treated appropriately by the auction administrator.
- There were no indications of hardware or software problems, communications issues, security breaches, or other problems with the auction platform.

In summary, the results of our monitoring of RGGI Auction 3 raise no material concerns regarding the auction process or its results. An appendix to this memo provides additional information about the market for RGGI CO₂ allowances and outcomes of the auction.

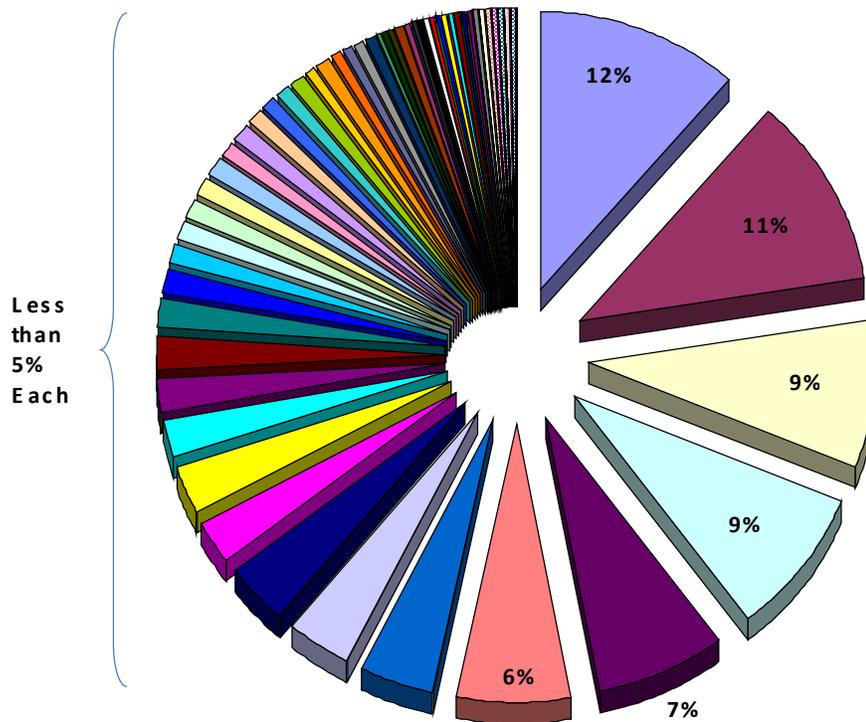
APPENDIX

A. Dispersion of Projected Demand

The wide dispersion of projected demand for RGGI allowances across compliance entities facilitates the competitive performance of the auction.

The following figure shows the relative shares of projected demand for RGGI allowances by compliance entity. The largest compliance entity represents only 12 percent of the total projected demand for allowances. Almost half of the projected demand is composed of entities that each account for less than 5 percent of the total demand. Participation by a large number of entities facilitates the competitive performance of the auction.

Figure 1: Projected Demand for RGGI Allowances Shares by Compliance Entity



B. Dispersion of Bids in Auction 3

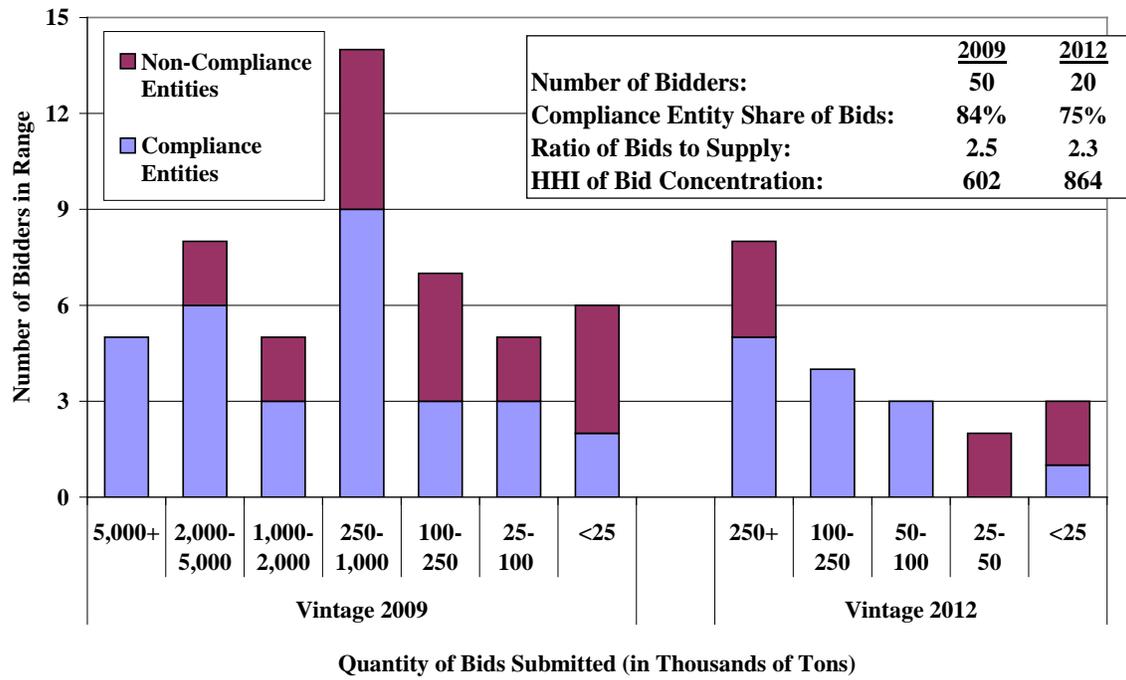
Large amounts of bids were submitted relative to the available supplies in both auctions, and the bids were widely dispersed across both compliance entities and non-compliance entities. These are both positive indicators regarding the competitiveness of the auction.

The following figure summarizes the quantities of bids submitted in the two auctions by the 50 bidders. In the auction for vintage 2009 allowances, most of the bidders that submitted a large number of bids (e.g., at least 2 million tons which is 6 percent of the available supply) were compliance entities. Overall, compliance entities accounted for 84 percent of the quantity of bids submitted in the vintage 2009 auction. Although the total quantity of bids submitted declined from the previous auction, the quantity of bids priced above \$3/ton was relatively consistent. The decline of total bids reflects a reduction in the quantity of bids submitted at relatively low-price levels.

In the auction for vintage 2012 allowances, most of the bidders that submitted a large number of bids (e.g., at least 100,000 tons which is 5 percent of the available supply) were compliance entities. Overall, compliance entities accounted for 75 percent of the quantity of bids submitted in the vintage 2012 auction.

In addition to demand exceeding supply by 2.5 to 1, the bid quantities were widely distributed among the 50 bidders in the 2009 vintage auction. The concentration of bids, using the Herfindahl-Hirschman Index (“HHI”), was very low at 602 in the 2009 vintage auction. Fewer entities submitted bids in the 2012 vintage auction, leading the concentration of bids to be somewhat higher, although the HHI of 864 is still relatively low. The HHI is a standard measure of concentration calculated by squaring each entity’s share and then summing the squares across all entities (hence, the index ranges from 0 to 10,000). The low concentration of bids and high ratio of bids to the available supply indicates that the auction was liquid.

**Figure 2: Quantity of Bids Submitted by Entity
By Type of Entity and Quantity Bid**



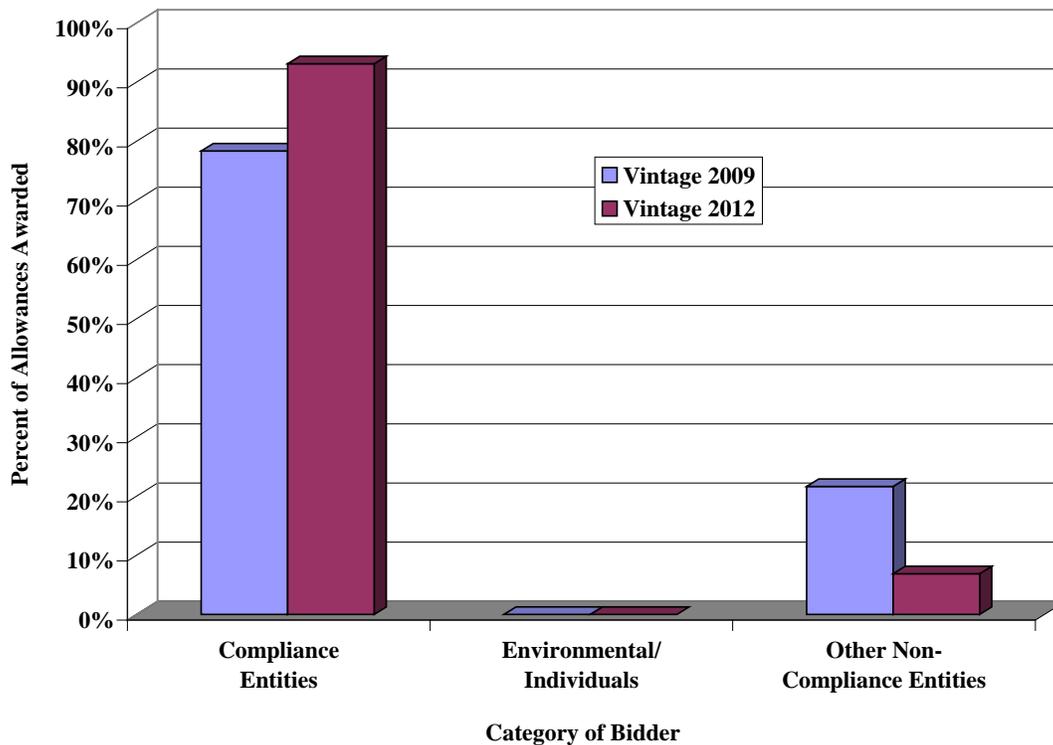
C. Summary of Purchases of Allowances in Auction 3

The purchase of most allowances by compliance entities and their affiliates is encouraging, because compliance entities generally value the allowances most highly. In the auction for 2009 vintage allowances, awards were widely distributed across 42 bidders with four bidders purchasing two million tons or more, nine bidders purchasing one million tons or more, and 18 bidders purchasing 250,000 tons or more. In the auction for 2012 vintage allowances, awards were distributed across 12 bidders with three bidders purchasing approximately 75 percent of the allowances and six additional bidders each purchasing 25,000 tons or more.

The following figure shows the quantity of allowances purchased in the auction by each of three types of entities:

- *Compliance Entities:* This includes all compliance entities and their affiliates.
- *Environmental/Individuals:* This includes non-compliance entities describing themselves as “Environmental Groups” or “Individual Person” in their qualification application.
- *Other Non-Compliance Entities:* This includes all other non-compliance entities.

**Figure 3: Quantity of Allowances Awarded
By Type of Entity**



The following table shows the quantity of allowances purchased by each bidder in the auctions. The identity of each bidder is masked, and the bidders are ranked according to the amount of allowances awarded in the auction, from largest to smallest.

Table 1: Quantity of Allowances Awarded by Bidder

Number of 2009		Number of 2012	
Bidder	Allowances Awarded	Bidder	Allowances Awarded
Bidder 1	7,877,000	Bidder 1	543,000
Bidder 2	4,160,000	Bidder 2	543,000
Bidder 3	3,263,000	Bidder 3	540,000
Bidder 4	2,480,000	Bidder 4	225,000
Bidder 5	1,800,000	Bidder 5	100,000
Bidder 6	1,740,765	Bidder 6	100,000
Bidder 7	1,686,000	Bidder 7	42,513
Bidder 8	1,550,000	Bidder 8	38,000
Bidder 9	1,250,000	Bidder 9	33,000
Bidder 10	672,000	Bidder 10	5,000
Bidder 11	600,000	Bidder 11	4,000
Bidder 12	563,000	Bidder 12	2,000
Bidder 13	450,000		
Bidder 14	449,000		
Bidder 15	442,000		
Bidder 16	300,000		
Bidder 17	300,000		
Bidder 18	250,000		
Bidder 19	247,000		
Bidder 20	225,000		
Bidder 21	200,000		
Bidder 22	190,000		
Bidder 23	150,000		
Bidder 24	125,000		
Bidder 25	100,000		
Bidder 26	100,000		
Bidder 27	75,000		
Bidder 28	70,000		
Bidder 29	50,000		
Bidder 30	34,000		
Bidder 31	25,000		
Bidder 32	20,000		
Bidder 33	17,000		
Bidder 34	13,000		
Bidder 35	12,000		
Bidder 36	6,000		
Bidder 37	5,000		
Bidder 38	5,000		
Bidder 39	5,000		
Bidder 40	5,000		
Bidder 41	1,000		
Bidder 42	1,000		

D. Summary of Bid Prices in Auction 3

The distribution of bid prices submitted in the auction indicates that the demand for allowances was elastic, which is a signal that the results were competitive.

The following table reports several statistics regarding the bid prices for bids submitted in Auction 3. The median and mean bid prices are weighted by the quantity of each bid.

	<u>2009</u>	<u>2012</u>
Bid Prices:		
Minimum	\$1.86	\$1.86
Maximum	\$10.00	\$4.40
Average (Median)	\$3.33	\$2.80
Average (Mean)	\$3.24	\$2.78
Clearing Prices:	\$3.51	\$3.05

E. Names of Potential Bidders in Auction 3

In accordance with Section 2.8 of the Auction Notice for CO₂ Allowance Auction 3 on March 18, 2009, the Participating States are releasing the names of Potential Bidders in Auction 3. The states defined potential bidders as: “Each Applicant that has been qualified and submitted a complete *Intent to Bid*.” The list of 63 Potential Bidders is as follows:

Adirondack Council Inc.	Index Capital Group LLC
Aeolus Fund II Master Fund, Ltd.	J. Aron & Company
AES Eastern Energy, LP	JP Morgan Ventures Energy Corporation
ANP Funding I, LLC	J-Power USA Development Co., Ltd.
Astoria Generating Company, LP	Lake Road Generating Company, L.P.
Barclays Bank PLC	Logan Generating Company, LP
BG Dighton Power, LLC	Louis Dreyfus Energy Services, LP
Boston Generating, LLC	Macquarie Cook Power Inc.
Brick Power Holding, LLC	Massachusetts Bay Transportation Auth.
Brookfield Energy Marketing Inc.	Massachusetts Muni. Wholesale Elec. Co.
Calpine Energy Services, LP	Masspower
CE2 Carbon Capital, LLC	Mercuria Energy Trading
CE2 Environmental Markets, LP	Merrill Lynch Commodities, Inc.
CE2 Environmental Opportunities I, LP	Michael Forlini
Chambers Cogeneration, LP	Milford Power Company, LLC
Connectiv Energy Supply, Inc.	Millennium Power Partners, LP
Conn. Municipal Electric Energy Coop.	Mirant Energy Trading, LLC
Consolidated Edison Energy, Inc.	National Grid Gen. dba National Grid
Constellation Energy Commodities Group	New Athens Generating Company, LLC
C-Quest Capital, LLC	NRG Power Marketing, LLC
Craig Hart	Power Authority of the State of New York
DigiLog Global Environmental Master Fund	PSEG Energy Resources & Trade, LLC
Dominion Energy Marketing, Inc.	Public Service Company of New Hampshire
DTE Carbon LLC	RBC
Dynegy Marketing and Trade	Rochester Gas and Electric Corporation
Element Markets, LLC	Saranac Power Partners
Evolution Markets, Inc.	Selkirk Cogen Partners, LP
FES Fund I LLC	SUEZ Energy Marketing NA, Inc.
FPL Energy Power Marketing, LLC	Tradax Energy, Inc.
H.Q. Energy Services (US) Inc.	TransCanada Power Marketing Ltd.
Hess Corporation (G)	Universal Carbon, LLC
Indeck-Olean Limited Partnership	