



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

FOR IMMEDIATE RELEASE
December 3, 2010

Contact: Emilee Pierce
212-417-3179

RGGI Auction Yields \$48.2 Million for Investment in Energy Savings and Clean Energy

Current Control Period Allowances Sold at \$1.86
Future Control Period Allowances Sold at \$1.86

(NEW YORK, NY) – The states participating in the Regional Greenhouse Gas Initiative (RGGI) today released the results of their 10th regional auction of carbon dioxide (CO₂) allowances, held Wednesday, December 1st. As with previous auctions, states are re-investing the proceeds from Wednesday's auction in a wide variety of strategic energy programs to save consumers money, benefit the environment and build the clean-energy economies of the RGGI states.

The offering of current control period CO₂ allowances (2009-2011) in the auction yielded a total of \$46,044,300 from the sale of 24,755,000 allowances. Fifty-seven percent of allowances offered for sale were sold. The auction clearing price was \$1.86 per allowance, the minimum reserve price for the auction. Thirty-eight entities submitted winning bids, with bids ranging from \$1.86 to \$10.02. Electric generators and their corporate affiliates purchased 97 percent of the total number of current control period allowances sold.

States also offered a smaller number of CO₂ allowances for a future control period (2012-2014). The offering of future control period allowances yielded a total of \$2,179,920 from the sale of 1,172,000 allowances. Fifty-five percent of allowances offered for sale were sold. The auction clearing price was \$1.86 per allowance. Four bidders submitted winning bids, with bids ranging from \$1.86 to \$2.01. Electric generators and their corporate affiliates purchased 100 percent of the total number of future control period allowances sold.

As they have for previous auctions, the participating states released the report of the independent market monitor, which contains aggregate auction results and a list of all qualified participants that submitted their intent to bid in the auction. According to the market monitor's report for Auction 10, electric generators and their corporate affiliates have won 85 percent of all CO₂ allowances sold in Auctions 1-10 and will hold 95 percent of CO₂ allowances in circulation following the settlement of allowances sold in Auction 10. Additional details may be found in the *Market Monitor Report for Auction 10*, appended below.

"With each successful auction, RGGI shows that market-based climate protection programs work and can boost our economy with funds to help our businesses become more efficient, support job growth, and lower our electric bills," said David Littell, a Commissioner of the Maine Public Utilities Commission and Chair of the Regional Greenhouse Gas Initiative, Inc. Board of Directors. "RGGI continues to set the example of successful regional climate change innovations."

Proceeds from the RGGI auctions now total more than \$777.5 million, over 80 percent of which is being re-invested by states in strategic energy programs. While programs vary, overall, states are investing the majority of proceeds to realize energy savings in homes and businesses.

For example, New York State is investing a portion of its CO₂ allowance proceeds to provide energy efficiency services to residential consumers across the state. Households that participate in

the EmPower New York program, which incentivizes energy education, energy audits and on-the-spot energy efficiency upgrades in oil-heated low-income households, save an average of 125 gallons of oil and realize approximately \$500 in total energy bill savings annually.

Caroline and Arthur Holmwood of Greenfield Center, New York, saw their energy bill decline by 50 percent after receiving a new boiler and improved insulation through EmPower New York. "Over the summer our electric bill was cut in half compared to the year before, and we expect savings during the heating season as well from our new boiler. It's 97 percent efficient," Mrs. Holmwood said.

In Maine, a portion of RGGI proceeds are invested to improve energy efficiency in industrial facilities. Madison Paper Industries (MPI), a paper company with more than 240 employees, was just one of 19 companies to receive a RGGI-funded grant from Efficiency Maine's Large Projects Grant Program. The company is using the \$1 million grant to install new heat exchangers to capture heat from its wastewater and papermaking process.

According to Joe Clark, MPI's reliability engineer, the project will result in energy savings of more than \$2 million per year - enough to support the retention of 18 jobs. "These savings will help secure the future of an established paper mill facing difficult economic pressures," he said. "Without the grant funds, we would not have been able to pursue these projects in the current business climate."

In New Hampshire, RGGI proceeds support the Greenhouse Gas Emissions Reduction Fund (GHGERF), which provides grants for a wide variety of energy efficiency projects in residential, commercial and municipal sectors. Crotched Mountain Rehabilitation Center, a New Hampshire-based charitable organization which provides education, rehabilitation and residential support services to more than 2,000 individuals per year, is just one organization to benefit from the program. Using a \$176,531 grant from the GHGERF, the center connected a 12,800 square foot mixed-use building to a state-of-the-art central district heating system that uses wood chips harvested locally from New Hampshire forests. As a result, the building now requires the equivalent of 6,000 gallons of heating oil per year, down from 25,000 gallons prior to the retrofit, saving 280 tons of CO₂ emissions annually.

"Our residents now enjoy comfortable, regulated heat, from an efficient system fueled by wood from a nearby family-run business," said Ray Sebold, project manager at Crotched Mountain. "As the largest employer in the area, with more than 800 employees, keeping our costs low is a top priority. The RGGI grant is enabling us to save resources and cut costs while also supporting a local business with sustainable fuel purchases."

In Connecticut, RGGI proceeds are supporting a variety of energy efficiency programs, including the Small Business Energy Advantage Program (SBEA), a program that enables small business owners to control their energy budgets. In 2009, the program serviced more than 1,300 businesses, saving them a collective total of more than \$5 million per year. Bishop Orchards Farm market, a family-run market in Guilford, Connecticut, was just one business to benefit from the program. Last year, the market received a complete interior lighting upgrade as well as incentives for large-scale efficiency measures, including the installation of night covers for open coolers and efficient motors for refrigerated units.

"SBEA has given us the tools to reduce our energy use, save resources and keep our costs stable," said Keith Bishop, the market's President and CEO. "We would not have been able to do this large project without the financial incentives from the SBEA program."

These examples are just a few out of the many projects being funded by RGGI state investments of CO₂ allowance proceeds. To learn more about how each of the ten RGGI participating states is investing CO₂ allowance proceeds, please visit: http://www.rggi.org/rggi_benefits/invest_releases.

“With every grant awarded, every heating system replaced, and every home retrofitted, the RGGI states are showing how market-based programs can not only improve the environment, but also generate important cash savings for businesses and working families,” said Laurie Burt, Commissioner of the Massachusetts Department of Environmental Protection and Vice Chair of the Regional Greenhouse Gas Initiative, Inc. Board of Directors. “RGGI demonstrates how state climate action programs contribute to a national clean energy future.”

The next RGGI auction is scheduled for March 9, 2011. All parties are eligible to participate. Information is available at http://www.rggi.org/market/co2_auctions/information.

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 implemented the first market-based, mandatory cap-and-trade program in the U.S. to reduce greenhouse gas emissions. Power sector CO₂ emissions are capped at 188 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.

A CO₂ allowance represents a limited authorization to emit one short 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 three-year control period. The first control period for fossil fuel-fired electric generators under each state’s CO₂ Budget Trading Program took effect on January 1, 2009 and extends through December 31, 2011. Allowances for the first (2009-2011) control period may be used to meet current compliance obligations, or may be banked for use in future control periods. CO₂ allowances for the second (2012-2014) control period can only be used to meet compliance obligations beginning in 2012. CO₂ allowances issued by any participating state are usable across all state programs, so that the ten individual state CO₂ Budget Trading Programs, in aggregate, form one regional compliance market for CO₂ emissions. For more information 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.

#

RGGI Inc.



**MARKET MONITOR REPORT
FOR AUCTION 10**

Prepared for:

RGGI, Inc., on behalf of the RGGI Participating States

Prepared By:

**POTOMAC
ECONOMICS**

December 3, 2010

This report was prepared by Potomac Economics (the contractor) in the course of performing work contracted for and sponsored by RGGI, Inc. on behalf of the RGGI Participating States (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont). The opinions expressed in this report do not necessarily reflect those of RGGI, Inc. or any of the Participating States, and reference to any specific product, service, process, or method does not constitute an implied or expressed recommendation or endorsement of it. Further, RGGI, Inc., the Participating States, and the contractor make no warranties or representations, expressed or implied, as to the fitness for particular purpose or merchantability of any product, apparatus, or service, or the usefulness, completeness, or accuracy of any processes, methods, or other information contained, described, disclosed, or referred to in this report. RGGI, Inc., the Participating States, and the contractor make no representation that the use of any product, apparatus, process, method, or other information will not infringe privately owned rights and will assume no liability for any loss, injury, or damage resulting from, or occurring in connection with, the use of information contained, described, disclosed, or referred to in this report.

The Regional Greenhouse Gas Initiative (RGGI) is a cooperative effort by participating states to reduce emissions of carbon dioxide (CO₂), a greenhouse gas that causes global warming.

RGGI, Inc. is a non-profit corporation created to provide technical and administrative services to the CO₂ Budget Trading Programs of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont.

MARKET MONITOR REPORT FOR AUCTION 10

As the Market Monitor for the RGGI CO₂ allowance market, Potomac Economics monitors the conduct of market participants in the auctions and in the secondary market to identify indications of market manipulation or collusion. We also review the administration of the auctions by World Energy Solutions. This report summarizes our findings regarding RGGI Auction 10, which was held on December 1, 2010.

We observed the auction as it occurred and have completed our review and analysis of its results. Based on our review of bids in the auction, we find no material evidence of collusion or manipulation by bidders.

A large number of bidders participated in the offering of 2009 vintage and 2010 vintage allowances with 38 entities submitting bids to purchase 57 percent of the available supply of allowances. This resulted in a clearing price equal to the reserve price of \$1.86 per ton. Compliance entities or their affiliates purchased 97 percent of the allowances in the auction.

A small number of allowances were auctioned for the second control period (with a 2013 vintage year). Four entities submitted bids to purchase 55 percent of the available supply of allowances, resulting in a clearing price equal to the reserve price of \$1.86 per ton. Compliance entities or their affiliates purchased 100 percent of the allowances in the 2013 vintage offering.

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 10 raise no material concerns regarding the auction process, barriers to participation in the auction, or the competitiveness of the auction results. The appendix provides additional information about the market for RGGI CO₂ allowances and outcomes of the auction.

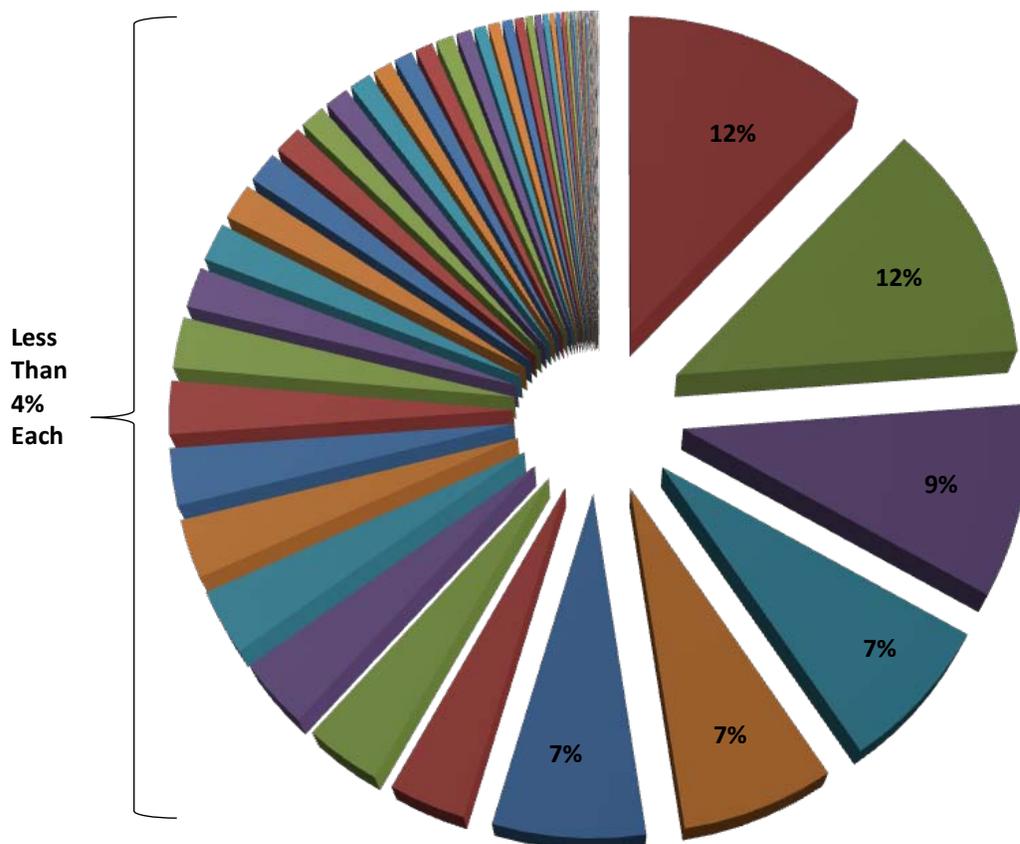
APPENDIX

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 4 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 10

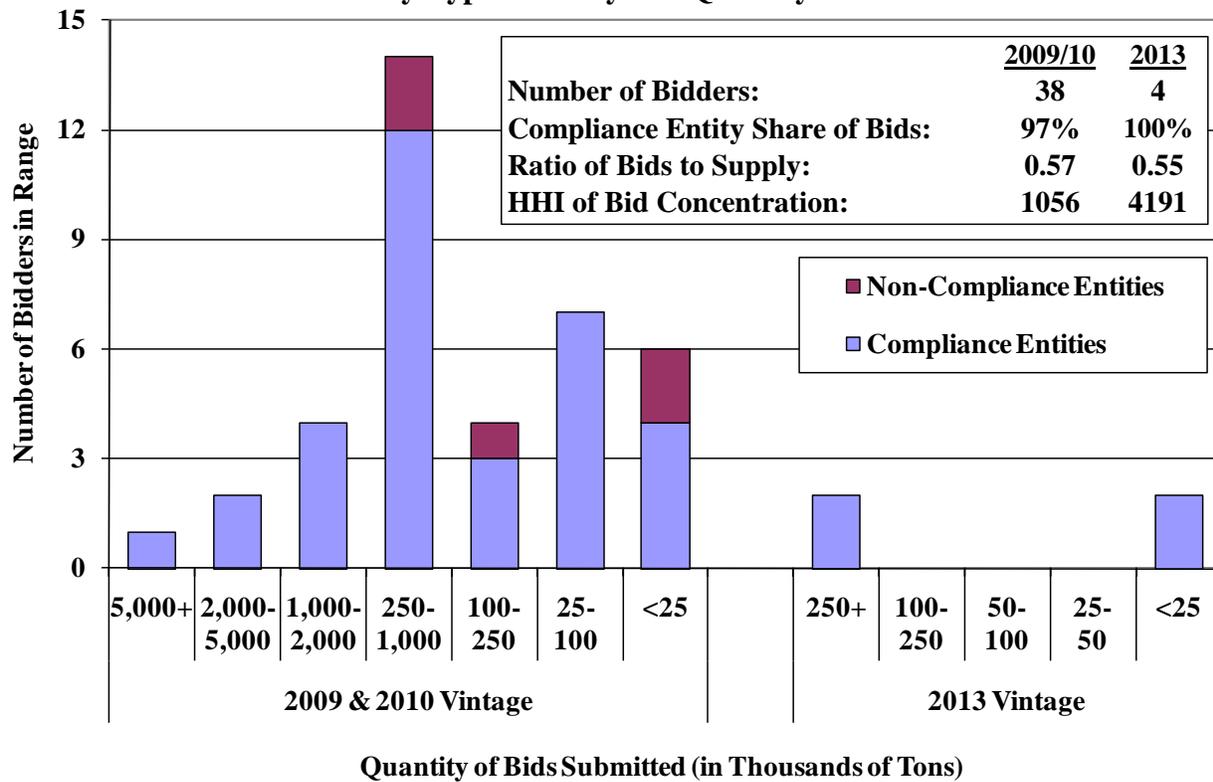
In the offering of 2009 and 2010 vintage allowances, bids were submitted by a large number of compliance entities and several non-compliance entities. A small number of allowances was also auctioned in advance for the 2013 vintage year, with four compliance entities or their affiliates submitting bids. In our review of the bids and the qualification process, we found no material evidence of anti-competitive conduct or significant barriers to participation.

The following figure summarizes the quantities of allowances for which bids were submitted in the two offerings. In the offering of 2009 vintage and 2010 vintage allowances, all of the bidders that submitted bids for a large quantity of allowances (e.g., at least 2 million tons or 5 percent of the available supply) were compliance entities or their affiliates. Overall, compliance entities accounted for 97 percent of the quantity of allowances for which bids were submitted in the offering of 2009 vintage and 2010 vintage allowances. The quantity of allowances for which bids were submitted decreased to 0.57 times the available supply in Auction 10 from 0.75 times the available supply in Auction 9 and 1.3 times the available supply in Auction 8.

In the 2013 vintage offering, the quantity of allowances for which bids were submitted was 0.55 times the available supply. This decreased from 0.61 times the available supply in Auction 9 and 1.2 times the available supply in Auction 8. All of the bids were submitted by compliance entities in the 2013 vintage offering of Auction 10.

The bid quantities were widely distributed among the 38 bidders in the offering of 2009 vintage and 2010 vintage allowances. The concentration of bids, using the Herfindahl-Hirschman Index (“HHI”), was relatively low at 1056. Fewer entities submitted bids in the 2013 vintage offering, leading the concentration of bids to be substantially higher (4191). 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).

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



C. SUMMARY OF PURCHASES OF ALLOWANCES IN AUCTION 10

In the offering of 2009 vintage and 2010 vintage allowances, awards were widely distributed across 38 bidders with three bidders purchasing two million tons or more, seven bidders purchasing one million tons or more, and 21 bidders purchasing 250,000 tons or more. In the 2013 vintage offering, awards were distributed across four bidders with two bidders purchasing 500,000 tons or more.

Compliance entities or their affiliates purchased 97 percent of the allowances in the offering of 2009 vintage and 2010 vintage allowances and 100 percent of the allowances in the offering of 2013 vintage allowances.

The share of allowances purchased and several other quantities are reported for each of three types of entities:

- *Compliance Entities:* This includes all compliance entities and their affiliates. In this report, affiliated firms are firms that: (i) have a parent-subsidary relationship with a compliance entity, (ii) are subsidiaries of a parent company that has a large interest in a compliance entity, (iii) have substantial control over the operation of a budget source and/or responsibility for acquiring RGGI allowances to satisfy its compliance obligations.
- *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.

The following statistics summarize the purchases and holdings of allowances by compliance entities and their affiliates under the RGGI program:

- In Auction 10, compliance entities and their affiliates purchased:
 - ✓ 97 percent of the V2009 & V2010 allowances sold, and
 - ✓ 100 percent of the V2013 allowances sold.
- In the first ten RGGI auctions, compliance entities and their affiliates purchased:
 - ✓ 85 percent of the V2009 & V2010 allowances sold,
 - ✓ 96 percent of the V2012 & V2013 allowances sold, and
 - ✓ 85 percent of all allowances sold.
- Compliance entities and their affiliates will hold 95 percent of the allowances in circulation following the settlement of allowances sold in Auction 10.

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

Table 1: Quantity of Allowances Awarded by Bidder

Bidder	Number of 2009 & 2010 Allowances Awarded	Bidder	Number of 2013 Allowances Awarded
Bidder 1	6,451,000	Bidder 1	534,000
Bidder 2	2,645,000	Bidder 2	534,000
Bidder 3	2,213,000	Bidder 3	53,000
Bidder 4	1,609,000	Bidder 4	51,000
Bidder 5	1,344,000		
Bidder 6	1,250,000		
Bidder 7	1,021,000		
Bidder 8	900,000		
Bidder 9	750,000		
Bidder 10	650,000		
Bidder 11	600,000		
Bidder 12	600,000		
Bidder 13	599,000		
Bidder 14	520,000		
Bidder 15	500,000		
Bidder 16	417,000		
Bidder 17	342,000		
Bidder 18	340,000		
Bidder 19	330,000		
Bidder 20	300,000		
Bidder 21	250,000		
Bidder 22	215,000		
Bidder 23	200,000		
Bidder 24	124,000		
Bidder 25	110,000		
Bidder 26	88,000		
Bidder 27	79,000		
Bidder 28	70,000		
Bidder 29	60,000		
Bidder 30	53,000		
Bidder 31	36,000		
Bidder 32	35,000		
Bidder 33	16,000		
Bidder 34	13,000		
Bidder 35	10,000		
Bidder 36	9,000		
Bidder 37	5,000		
Bidder 38	1,000		

D. SUMMARY OF BID PRICES IN AUCTION 10

The distribution of bid prices submitted in the auction indicates that the demand for allowances was relatively 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 10. The median and mean bid prices are weighted by the quantity of each bid.

	<u>2009 & 2010</u>	<u>2013</u>
Bid Prices:		
Minimum	\$1.86	\$1.86
Maximum	\$10.02	\$2.01
Average (Median)	\$1.90	\$1.91
Average (Mean)	\$2.38	\$1.89
Clearing Prices:	\$1.86	\$1.86

E. NAMES OF POTENTIAL BIDDERS IN AUCTION 10

In accordance with Section 2.8 of the Auction Notice for CO₂ Allowance Auction 10 on December 1, 2010, the Participating States are releasing the names of Potential Bidders in Auction 10. The states defined potential bidders as: “Each Applicant that has been qualified and submitted a complete *Intent to Bid.*” The list of 49 Potential Bidders is as follows:

AES Eastern Energy, LP	Integrus Energy Services, Inc.
Aircraft Services Corporation	J-Power USA Development Co., Ltd.
Algonquin Windsor Locks, LLC	Logan Generating Company, LP
ANP Funding I, LLC	Massachusetts Muni. Wholesale Elec. Co.
Astoria Energy, LLC	Millennium Power Partners, LP
Astoria Generating Company, LP	Mirant Energy Trading, LLC
Barclays Bank PLC	National Grid Gen. dba National Grid
Boston Generating, LLC	New Athens Generating Company, LLC
Brick Power Holding, LLC	NextEra Energy Power Marketing, LLC
Brookfield Energy Marketing Inc.	North American Energy Alliance, LLC
Brooklyn Navy Yard Cogen Partners, LP	NRG Power Marketing, LLC
Caithness Long Island, LLC	Old Dominion Electric Cooperative
Calpine Energy Services, LP	PPL EnergyPlus, LLC
Cargill Power Markets, LLC	PSEG Energy Resources & Trade, LLC
Chambers Cogeneration, LP	Public Service Company of New Hampshire
Consolidated Edison Comp. of NY, Inc.	RBC
Constellation Energy Commodities Group	Rochester Gas and Electric Corporation
Dominion Energy Marketing, Inc.	Selkirk Cogen Partners, LP
Dynegy Marketing and Trade, LLC	Stonyfield Farm
Empire Generating Co., LLC	Sunoco Power Generation, LLC
EquiPower Resources	TAQA Gen X, LLC
H.Q. Energy Services (US) Inc.	The William & Flora Hewlett Foundation
Hawkeye Energy Greenport	Verso Paper Corp.
Hess Corporation (G)	Vitol Inc.
Indeck-Corinth Limited Partnership	