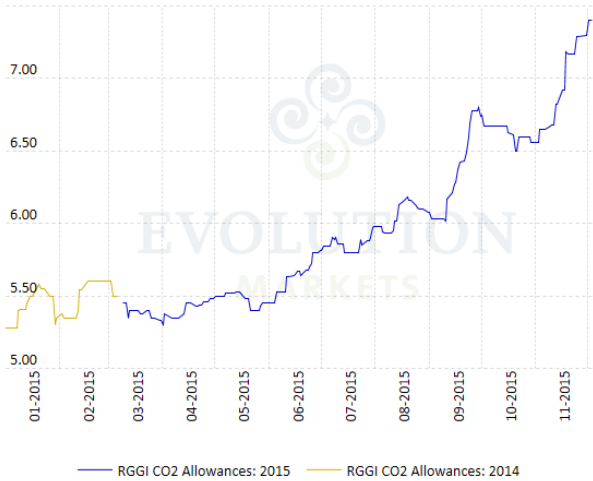


## Regional Greenhouse Gas Initiative (RGGI)

### Market Status

On December 4, 2015, RGGI's 30<sup>th</sup> Auction cleared \$7.50, about \$0.10 above where the market was trading when the auction bids were due earlier in the week. After the auction results, which again were surprisingly strong, the market traded as high as \$7.60 but later settled in at the \$7.50 clearing price. Since the beginning of the year, RGGI prices have increased approximately 42%.

Term	Bid	Offer
Dec 15 Cleared	\$7.49	\$7.55
Dec 16 Cleared	\$7.70	\$7.80



### Future Outlook

With the changes made to the Model Rule, annual supply of RGGI Allowances are below actual emissions, so the long-term market is still bullish. In a recent RGGI Stakeholders meeting, discussions on how RGGI may participate in the Clean Power Plan (CPP) and how other states may join RGGI to meet their CPP compliance has contributed to this bullish feeling.

### Fundamentals

Based on the RGGI 2014 secondary market report and the three RGGI Auctions that took place in 2015, the bank of allowances is still quite large at approximately 135 million. It would take until at least 2020 to draw that bank down. However, if you reduce the bank by the number of allowances held by non-compliance entities, and take into account the quantity of allowances purchased and held for future hedging by compliance entities, the bank gets reduced significantly and could be drawn down by as early as 2017/18.

