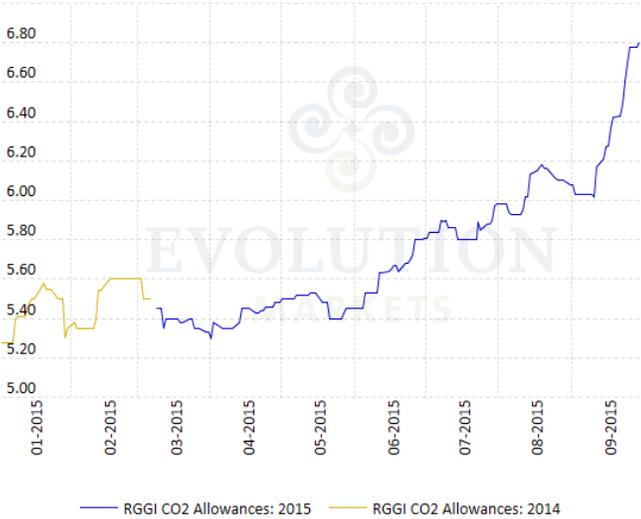


Regional Greenhouse Gas Initiative (RGGI)

Market Status

On September 11, 2015, RGGI’s 29th Auction cleared \$6.02, above the \$6.00 trigger that allowed 10 million Cost Containment Reserve (“CCR”) Allowances to be released. After the Auction Results, which were somewhat of a surprise, the market price steadily increased and settled the month at \$6.80. Since the beginning of the year, RGGI prices have increased approximately 30%.

Term	Bid	Offer
Oct 15 Cleared	\$6.76	\$6.80
Dec 15 Cleared	\$6.78	\$6.82
Dec 16 Cleared	\$6.95	\$7.05



Future Outlook

With the changes made to the Model Rule, annual supply of RGGI Allowances are below recent actual emissions, so the long-term market is still bullish. This year’s emissions are on track to be around 85 million tons, and with the annual supply of allowances at around 70 million tons, including the 10 million CCR allowances released this year. As a result, the bank of allowances continues to be drawn down. Unless actual emissions are reduced, it appears that RGGI prices may trend toward future CCR price triggers, which are \$8.00 in 2016 and \$10.00 in 2017.

Fundamentals

Based on the RGGI 2014 Secondary Market Report and the three RGGI Auctions that have occurred in 2015, the bank of allowances is still quite large at approximately 135 million. It could take until at least 2020 to draw this sizable 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 or 2018.

