

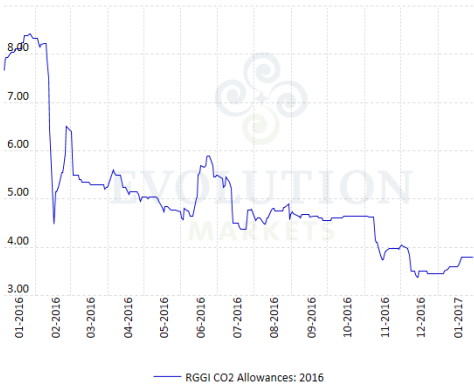


Regional Greenhouse Gas Initiative (RGGI)

Market Status

RGGI Prices have been holding steady at \$3.80 for the last week, \$0.25 higher than the Clearing Price of \$3.55 at the last auction held on December 7, 2016. After the December Auction, prices hit a low of \$3.40, and closed out the year at \$3.45. Since then, the market has made steady gains, aided by the announcement of the closure of the Indian Point nuclear facility in New York. The market also anticipates the finalization of the 2016 Program Review, which many believe will include a 3%-4% cut in the post-2020 allocation, and a new market mechanism called the Emissions Containment Reserve (ECR). The ECR is designed to reduce the amount of RGGI allowances for sale if the Auction Price is below a certain price.

Term	Bid	Offer
Jan 17 Cleared	\$3.80	\$3.90
Dec 16 Cleared	\$3.90	\$4.00



Future Outlook

The proposed allocation cut and the possibility of an ECR will be a large factor on where prices go in the future. It was anticipated that RGGI would finalize the Program Review by the end of 2016 or the first quarter of 2017. The longer the review takes, the more uncertainty lingers in the market and the increased potential for the market to stagnate at these price levels or move down.

Fundamentals

Based on the RGGI 2015 Annual Market Report the bank of allowances is still quite large at approximately 130 million. However depending on the structure of the Proposed Model Rule, this bank will be drawn down. How fast the bank gets drawn down depends on the specifics of the Model Rule and actual emissions. Forecasting future emissions has many variables, including the loss of Indian Point, increased load growth, and more renewable generation. Assuming these variables wash each other out and emissions stay relatively flat, it is estimated that the bank could be drawn down within several years. The anticipated allocation cut and the potential of an ECR in the Program Review will have a big impact on prices going forward.

