

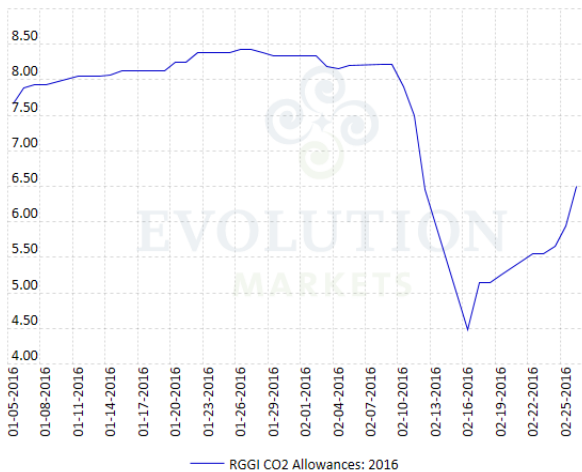


## Regional Greenhouse Gas Initiative (RGGI)

### Market Status

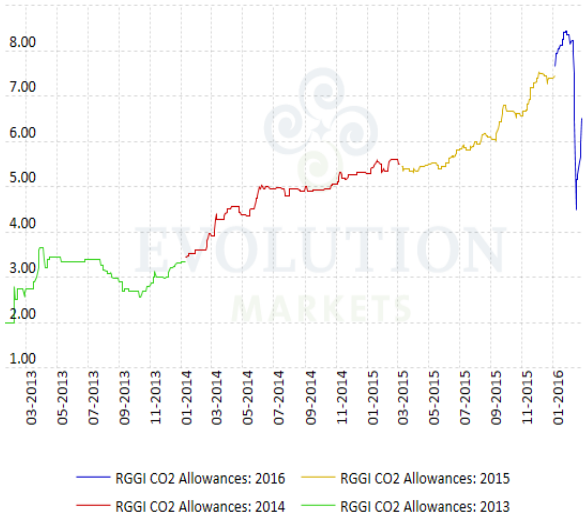
Mr. Volatility paid a visit to the RGGI market this month as prices reached highs (\$8.50) and lows (\$4.00) not seen in recent years, before settling in at \$6.50 at month's end. The catalyst for the decline this month was the unexpected Supreme Court ruling on Feb 9 to stay implementation of President Obama's Clean Power Plan (CPP). The regulatory uncertainty caused prices to decline as the market gave its opinion on how this may affect RGGI's future control period starting in 2018. As holders of the RGGI bank reduced their holdings, prices began to drop at a rate not previously seen. This led to more selling, and prices eventually hit bottom at \$4.00 on Feb. 16, before recovering to \$6.50 at the end of the month.

Term	Bid	Offer
Feb 16 Cleared	\$6.40	\$6.50
Dec 16 Cleared	\$6.45	\$6.55



### Future Outlook

Prices have done nothing but rise for the past three years, but February volatility has made the market re-evaluate its long term bullishness. The biggest factor influencing where prices will go in the future will be RGGI's decision on what to do starting in 2018 and if they still will want to dovetail the RGGI Program into the proposed CPP.



### Fundamentals

Based on the RGGI 2014 Secondary market report and the RGGI Auctions that have occurred in 2015, the bank of allowances is still quite large at approximately 135 million. This month, the market experienced what happens when part of bank gets liquidated. However, the Supreme Court decision did not change the basic market fundamental that the allowance bank is being drawn down and eventually the market will become tight. Depending on how fast the bank gets drawn down will depend on actual emissions and how many CCR allowances are released into inventory. If one assumes RGGI will maintain its current policy to reduce emissions an additional 2.5% over the 2015-2020 time period or RGGI makes even deeper cuts to meet proposed CPP standards, the allowance bank eventually will be drawn down.