

# MARKET UPDATE

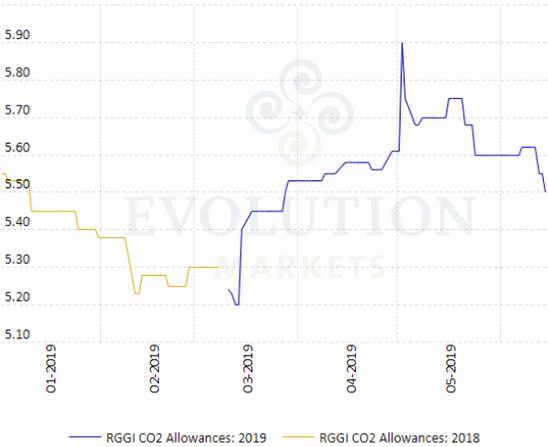
June 17, 2019

## Regional Greenhouse Gas Initiative (RGGI)

### Market Status

RGGI Prices started at \$5.55 in January 2019 and as of today, we are back at where we started with the latest spot price of \$5.50. Prices dropped to a low of \$5.23 on March 12, 2019, the same week RGGI conducted its first Auction for the year. The March Auction cleared at \$5.27. After the first Auction prices climbed to high of \$5.90 on May 2, 2019, however prices sharply moved down after Virginia lawmakers blocked the State from participating in RGGI in 2020. The second June Auction cleared at \$5.62 but prices continued to move down below the clearing price to \$5.50. In other news, New Jersey has maintained its intent to re-join RGGI in 2020 and has adopted the Regulations on June 17. NJ has proposed an 18 Million cap of CO2 Emissions starting in 2020 and declining every year thereafter. This cap is slightly below what NJ compliance currently emit but higher than what Environmental Groups were looking for.

Term	Bid	Offer
Spot	\$5.45	\$5.55
Dec 19 Cleared	\$5.50	\$5.60
Dec 20 Cleared	\$5.75	\$5.85



### Program Review Summary

On Dec 19, 2017 RGGI published the results of their Program Review. The Summary is as follows: Cap of 75.15 million declining by 2.275 million per year to 2030. Full 2020 bank adjustment over 5 years from 2021 -25. A Cost Containment Reserve (CCR) and a Emission Containment Reserve (ECR), the size each being 10% of the regional cap. The ECR Trigger price will be \$6.00 in 2021 and rise 7% per year. The CCR trigger price will be \$13.00 in 2021 and also rise 7% per year.



### Fundamentals and Future Outlook

Calendar year 2017 RGGI Carbon emissions was 66 million, well below Calendar year 2016 RGGI Carbon emissions of 81 million. However, the Winter of 2018 had been cold and 2018 emissions increased to 73 million. Since the Supply Side is relatively static and known, the only variable in the fundamentals is annual emissions. It is projected that the 2020 bank could be approximately 75 million. The Actual 2020 Bank will be adjusted over 5 years and which in turn reduce the Cap over that 5 year period.

## Fundamentals and Future Outlook - Continued

Market participants based on market activity may have assumed the RGGI price will trend toward the ECR trigger price of \$6 in late 2020 and then rise by 7% per year, assuming the ECR will act as a soft price floor. However this assumption is based on future emissions being relatively static until 2030. With this assumption, the RGGI bank will be depleted in 2025. However if actual emissions would decline 2.5 % a year starting in 2020, which is realistic based on the push toward renewable generation and a declining/stagnant electric demand, the RGGI Bank may not get depleted until 2030 and that includes the ECR reduction every year. Ultimately the price of RGGI will depend on actual emissions, which is affected by many variables that include weather, electric demand, and the influx of renewable generation into the region.

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