



Market Activity » Allowances

December began with RGGI's final allowance auction. On offer was 28.5 million vintage 2009 allowances and 1.6 million vintage 2012 allowances. The clearing price for the vintage 2009 and 2012 allowances was \$2.05 and \$1.86 respectively. In fact, the vintage 2012 allowances were undersubscribed and not all allowances were sold as it cleared at the floor price at \$1.86.

For the rest of the month, prices slowly began to rise as consumers who had not obtained allowances in the auction came in to buy. By the end of the month, prices settled at \$2.24.

One interesting development in December was the start of trading in the Dec 10-settled vintage 2010 RGGI Allowance product. As a result, a spread developed between the vintage 2009 and 2010 allowances. Vintage 2010 allowances ended up trading \$0.07 lower than the vintage 2010 allowance. For compliance purposes, the RGGI 2010 and 2009 allowance are interchangeable. However, the Waxman – Markey climate change bill that passed the House of Representatives last summer contains language that allows the conversion of a RGGI allowance to a Federal Carbon Allowance. The language specifically states the conversion will be at an average of vintage auction prices. Market participants feel there could be a situation where the conversion rate between vintage RGGI allowances would be different, hence the spread in price between the two vintages. Only time will tell how this spread will go.

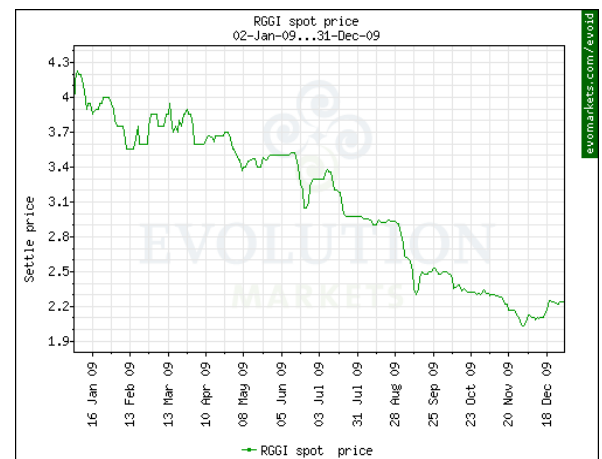
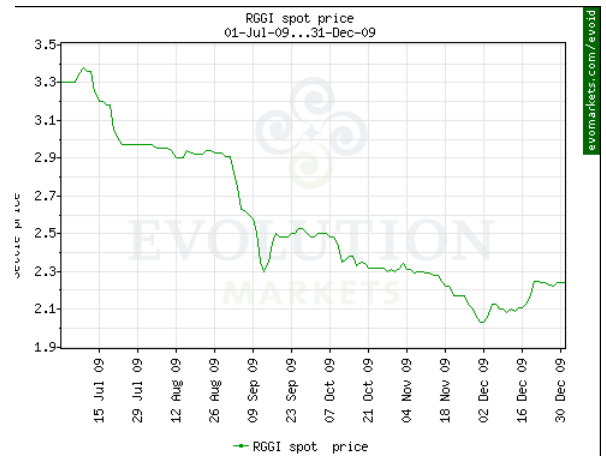
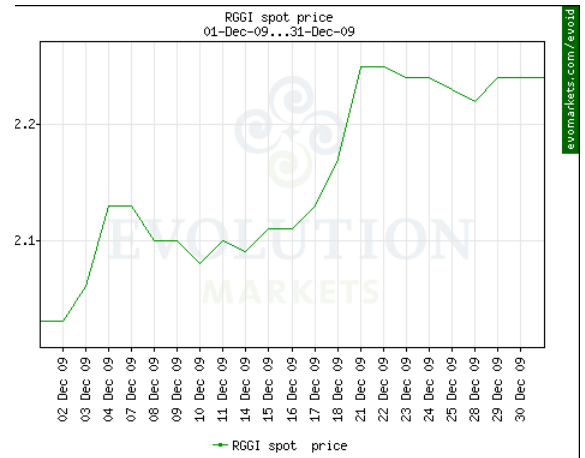
Next up is the RGGI Auction in March 2010, where approximately 40 million allowances will be auctioned off to market participants.

December 31, 2009

▼ TERM	▼ BID	▼ OFFER	▼ SETTLE
DEC09 RGGI	\$2.22	\$2.25	\$2.24

Regional Greenhouse Gas Initiative Auctions

▼ TERM	▼ DATE	▼ VINTAGE	▼ ALLOWANCES	▼ PRICE
Auction 1	9/25/2008	2009	12,565,387	\$3.07
Auction 2	12/17/2008	2009	31,505,898	\$3.38
Auction 3	3/18/2009	2009	31,513,765	\$3.51
Auction 3	3/18/2009	2012	2,175,513	\$3.05
Auction 4	6/17/2009	2009	30,887,620	\$3.23
Auction 4	6/17/2009	2012	2,172,540	\$2.06
Auction 5	9/9/2009	2009	28,408,945	\$2.19
Auction 5	9/9/2009	2012	2,172,540	\$1.87
Auction 6	12/2/2009	2009	28,591,698	\$2.05
Auction 6	12/2/2009	2012	1,599,000	\$1.86



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