

Skystream Markets, Inc.

REC Trading: An Evolving Commodity Market

National Summit on RPS



Washington, D.C.

9.22.2014

Introduction to Skystream Markets

Skystream Markets runs and operates over-the-counter trading markets for environmental commodities with the mission of creating better price transparency, efficiency, and liquidity.

Markets

- US Environmental / Renewable Energy Markets
- Focus on Renewable Energy Certificates (RECs)
- Active in the RIN and RGGI Allowances Markets

Services

- Electronic Markets
- Voice Brokerage Services / Cap Intro
- Research & Data

Advantages

- Skystream Never Trades For Its Own Account
- Hybrid Model Combining Brokerage And Electronic Platform
- Marketplace Developed With Direct Trader Feedback

REC Markets: From Theory to Practice to Evolution

➤ Market Theory

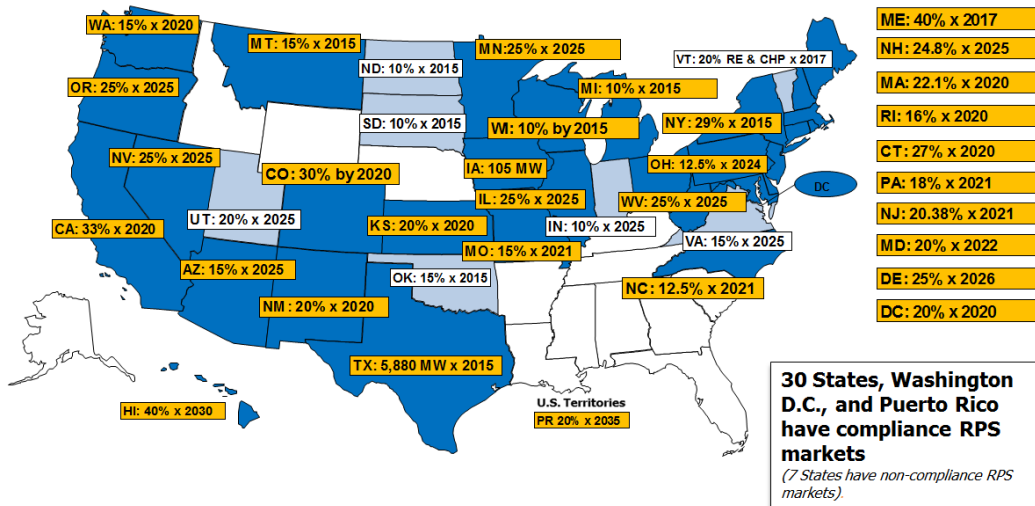
- Price Signals
- Compliance Flexibility
- Cost-Effectiveness

➤ Markets In Practice

- Fluctuating REC Prices
- Most Working As Designed
- Open for Business

➤ Market Evolution

- Expanding Market Infrastructure
- Improving Market Standardization
- Diversifying Market Participants



of Standards: 30+

of REC Classes: 80+

of Tradable RECs: 40+

of Active Markets: 20+

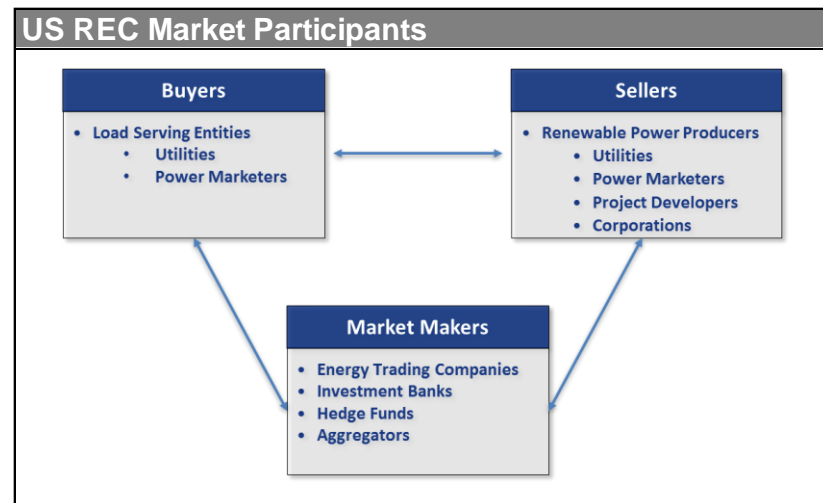
REC Trading Explained

Compliance Buyers

- Seek to purchase REC supply in the spot and forward markets to demonstrate RPS compliance

Producers

- Look to market conditions / price signals and use REC sales to finance, develop, and operate renewable energy projects



Market Makers

- Use balance sheet and market information to trade RECs and provide liquidity to the market

Evolving REC Transaction Channels & Products

Tools for participants in the primary and secondary REC markets...

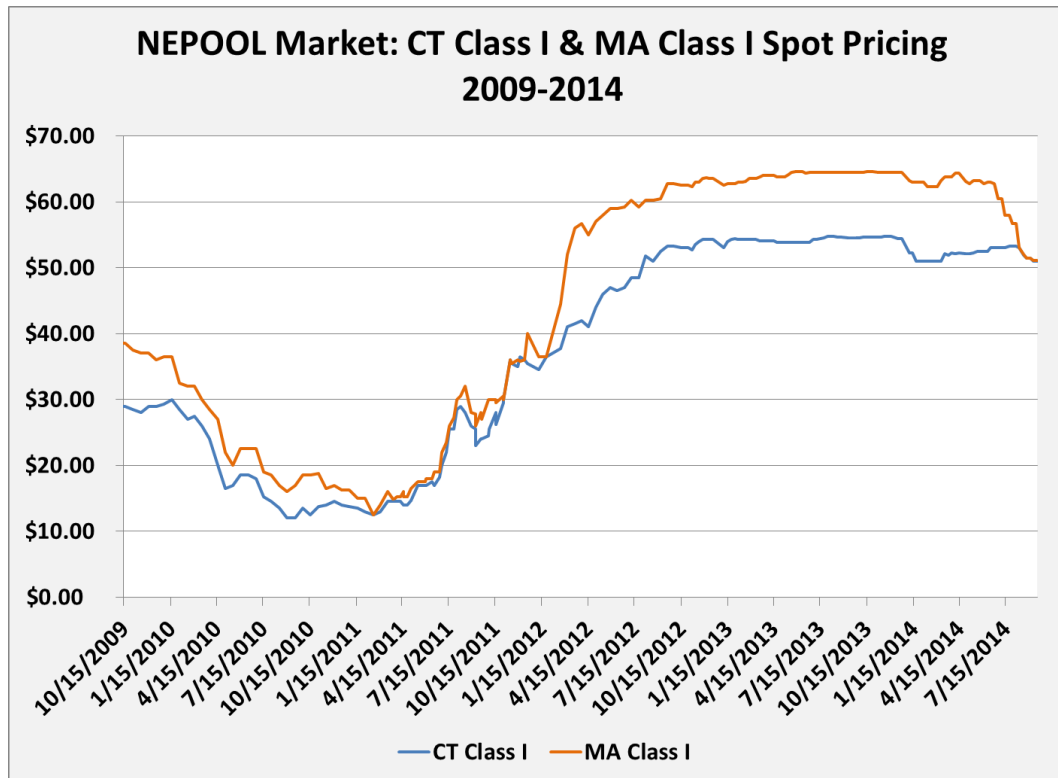
Transaction Channels

- **Bilateral (Direct) Trading**
- **Traditional Voice Brokers**
- **Electronic Trading**
- **Exchanges**
- **RFPs / Auctions**
- **Registry Bulletin Boards**

Transaction Products

- **Bundled / Unbundled**
- **Spot Market**
- **Forward Market (Outrights & Strips)**
- **Futures Contracts / Options Contracts**
- **Spread Trading**
- **Structured Transactions**

REC Pricing & Trading Trends



Source: Skystream Markets, ICE

➤ Price Volatility

- Sign of functioning mechanisms / healthy markets

➤ Exchanges & Electronic Trading:

- Growing volumes and open interest; decreasing transaction costs

➤ Traditional Voice Brokerage:

- More markets and products being quoted

Tradable REC Markets Contribute to RPS Success

✓ Price Signals

- Provide real-time price signals and information to market participants
- Allow for improved activity tracking, reporting, and decision making

✓ Compliance Flexibility

- Provide more options to comply with RPS policies and lower cost
- Turn RPS policies into a revenue opportunity via the REC incentive

✓ Cost-effectiveness

- Allocate resources to the most efficient renewable energy projects
- Complement power market restructuring and other renewable policies
- Growing market infrastructure and transaction products leading to better functioning markets and broader participation from the renewable energy and financial communities

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