

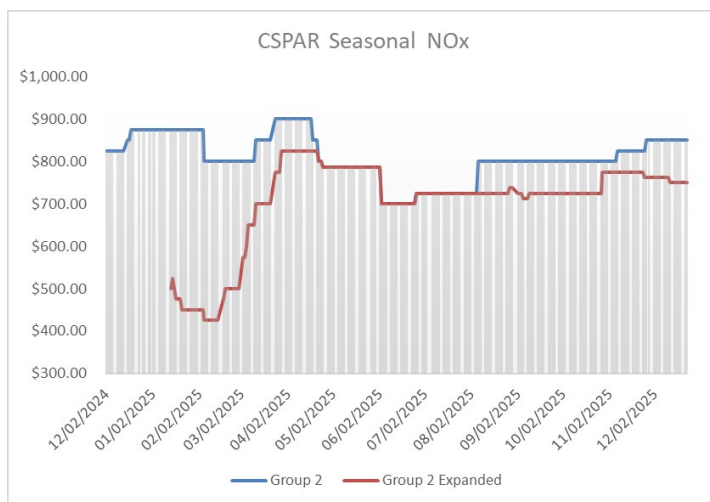
Cross State Air Pollution Rule

Market Status

On October 29, 2024, the U.S. Environmental Protection Agency issued a final rule to administratively stay the effectiveness of the Good Neighbor Plan’s requirements for all sources covered by that rule as promulgated where an administrative stay was not already in place. On March 12, 2025, the EPA officially announced the rollback of the Good Neighbor Plan.

Term	Bid	Offer
SNOx Group 1	\$500	\$1000
SNOx Group 2	\$800	\$950
SNOx Group 2 E	\$750	\$900

In summary, the old Group 3 states of Illinois, Indiana, Maryland, Michigan, New Jersey, New York, Ohio, Pennsylvania, Virginia, and Wisconsin will be subject to the requirements of the CSAPR NOx Ozone Season “Group 2” Trading Program with respect to their emissions in the 2025 control period and in future control periods unless and until provided otherwise in a future rulemaking. EGUs except WI will use Expanded Group 2 allowances for compliance under the Group 2 trading program. WI will use Original Group 2 allowances for compliance under the Group 2 trading program. The amounts of the state emissions budget and unit-level allowance allocations that will apply for each control period will be the amounts that would have applied for the same control period under the CSAPR Update Rule.



For the foreseeable future, generators have to comply with the Revised CSAPR Update Rule, which began in 2021.

Per the graph above, you can see that the price of CSAPR Ozone Season NOx 2025 compliance allowances for Group 2 has been steady throughout the year, trading in a range between \$800 and \$900 per allowance. Group 2 Expanded Allowances started out the year around \$500, but increased to the \$700–\$800 level once the compliance period started in May 2025. Prices for both groups have stayed somewhat in the same trading range since May 2025.

On page 2 are two tables that provide the 2025 Ozone Season NOx emissions by state for each group of trading states: CSAPR Group 2 Expanded and CSAPR Group 2 Original. The tables also provide the allowance holdings for the 2025 compliance period, the surplus or deficit by state for the 2025 compliance period, and the current 2026 allowance allocations. Both groups have sufficient allowance holdings to cover their 2025 compliance needs. Both groups also added to

their respective banks in 2025. Finally, both groups’ 2025 emissions are less than their 2026 allocations, meaning that each group’s bank of allowances will continue to grow for the foreseeable future.

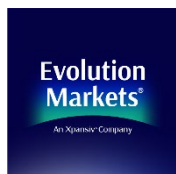
CSAPR Group 2 Expanded				
	OS NOx 2025	Allowance Holdings	Surplus Allowances	Allowance Allocation
State	Emissions	Vin 2025 or earlier	Vin 2025	Vin 2026
IL	6,035	12,917	6,882	7,690
IN	11,142	22,697	11,555	10,755
KY	12,625	25,396	12,771	13,768
LA	9,037	24,417	15,380	14,131
MD	1,508	2,079	571	1,226
MI	10,567	11,344	777	9,163
NJ	846	2,451	1,605	1,207
NY	3,908	4,357	449	2,875
OH	7,698	13,202	5,504	8,920
PA	7,481	15,834	8,353	8,034
VA	4,502	8,062	3,560	3,513
WV	12,721	19,058	6,337	12,623
General		7,553	7,553	1,414
Total	88,070	169,367	81,297	95,319

CSAPR Group 2 Original				
	OS NOx 2025	Allowance Holdings	Surplus Allowances	Allowance Allocation
State	Emissions	Vin 2025 or earlier	Vin 2025	Vin 2026
AL	5,640	59,638	53,998	13,198
AR	7,698	18,212	10,514	8,900
IA	8,478	24,146	15,668	9,164
KS	6,010	18,979	12,969	6,924
MO	10,988	44,419	33,431	13,753
MS	6,269	12,657	6,388	5,140
OK	9,739	26,025	16,286	9,869
TN	3,782	12,394	8,612	5,576
TX	41,585	82,801	41,216	38,871
WI	5,399	9,827	4,428	5,462
General		14,225	14,225	
Total	105,588	323,323	217,735	116,857

If both groups’ markets are fundamentally long, and we expect that the market’s surplus of allowances will continue to grow over the near term, why have prices stayed flat for the year?

Both markets are very thin, with low liquidity. Although the potential for future regulation is extremely low with the current administration, market participants remember how the introduction of the past Good Neighbor Rule caused NOx prices to reach a high of \$50,000 per allowance. Since this market is very sensitive to regulations, market participants seem to be wary of selling their surplus of allowances in case there is a change of administration at the end of 2028 that could bring a change in regulations. Also, although current emissions will most likely stay flat in 2026 compared to 2025, the increase in power demand due to anticipated data center electric demand and the potential delay of planned renewables coming online has the potential for increased emissions in the near future.

Given these factors, I think the most likely scenario for the near term would be for Seasonal NOx prices to stay relatively flat, with the potential for prices to move down slightly. Longer term price forecasts would hinge upon the potential of future regulations and/or an increase in emissions due to the forecasted increase in power demand.



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