



**MARKET MONITOR REPORT ON THE ELECTRICITY  
GENERATOR EMISSIONS LIMITS PROGRAM (310 CMR 7.74):  
AUCTION 2023-3**

**Prepared for:**

**Massachusetts Department of Environmental Protection on behalf of the  
Commonwealth of Massachusetts**

**Prepared by:**

**POTOMAC  
ECONOMICS**

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Potomac Economics is the Market Monitor for the Massachusetts Department of Environmental Protection (“MassDEP”) program to limit CO<sub>2</sub> emissions from electricity generating facilities located in Massachusetts.<sup>1</sup> Potomac Economics monitors the conduct of market participants in the auctions and in the secondary market to identify indications of anti-competitive conduct. Auction 2023-3 included two offerings: one offering for the current vintage (2023) and one offering for a future vintage (2024). This report discusses our assessment of Auction 2023-3, which was held on June 14, 2023.

Nine bidders participated in the offering of 1,536,084 CO<sub>2</sub> allowances for the current vintage year (2023). Bids were submitted to purchase 1.9 times the available supply of allowances, resulting in a clearing price of \$9.40 per metric ton. Auction 2023-3 was the fifth of six auctions that will be conducted to sell allowances for the 2023 vintage year.

Nine bidders participated in the offering of 380,590 CO<sub>2</sub> allowances for a future vintage year (2024). Bids were submitted to purchase 2.3 times the available supply of allowances, resulting in a clearing price of \$6.53 per metric ton. The number of 2024 vintage allowances offered in Auction 2023-3 was equal to 5 percent of the annual cap for 2024. Auction 2023-3 was the third of eight auctions that will be conducted to sell allowances for the 2024 vintage year.

Based on our review of auction outcomes and bidding of individual Regulated Entities, we find:

- Most of the 2023 allowances were awarded to Regulated Entities who will need them to satisfy their forecasted compliance obligations for 2023, while some were awarded to firms that will likely use them for compliance in subsequent years and/or sell them in the secondary market.
- The clearing price of \$9.40 per metric ton for the current vintage was higher than the clearing price of \$6.53 per metric ton for the future vintage, reflecting that some Regulated Entities have a preference for allowances that are usable for 2023 compliance. However, the price differential between the current and future vintage fell significantly from previous auctions because many Regulated Entities do not prefer the earlier vintage.
- Bid prices were widely dispersed, reflecting considerable variation among Regulated Entities in their expectations regarding the value of allowances. The wide dispersion of bid prices reflects that relatively little market information has been available regarding the value of allowances.

In summary, most allowances were awarded to the firms that will likely need them for 2023 compliance, while some acquired more than they will likely need for 2023 compliance. We did not observe behavior that would raise significant concerns regarding the competitiveness of the auction results.

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<sup>1</sup> <https://www.mass.gov/guides/electricity-generator-emissions-limits-310-cmr-774>