



**MARKET MONITOR REPORT ON THE ELECTRICITY  
GENERATOR EMISSIONS LIMITS PROGRAM (310 CMR 7.74):  
AUCTION 2023-4**

**Prepared for:**

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

**Prepared by:**

**POTOMAC  
ECONOMICS**

September 15, 2023

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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 2023-4 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 2023-4, which was held on September 13, 2023.

Six bidders participated in the offering of 1,536,083 CO<sub>2</sub> allowances for the current vintage year (2023). Bids were submitted to purchase 1.2 times the available supply of allowances. Auction 2023-4 was the last of six auctions conducted to sell allowances for the 2023 vintage year.

Six bidders participated in the offering of 380,590 CO<sub>2</sub> allowances for a future vintage year (2024). Bids were submitted to purchase 1.8 times the available supply of allowances. The number of 2024 vintage allowances offered in Auction 2023-4 was equal to 5 percent of the annual cap for 2024. Auction 2023-4 was the fourth of eight auctions that will be conducted to sell allowances for the 2024 vintage year.

Based on the initial quantities offered and bids submitted, the initial clearing price of the current vintage event would have been lower than the initial clearing price of the future vintage event. However, the auction process is designed to ensure that the future vintage clearing price will never be greater than the current vintage clearing price (as described in Section 7.1 of the 2023-4 Auction Notice). In accordance with Auction Notice, 192,797 CO<sub>2</sub> allowances were transferred from the current vintage offering to the future vintage offering, resulting in a clearing price of \$3.00 per metric ton for both vintages. Thus, bidders receiving awards in the future vintage event will each receive allowances of both current and future vintages.

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 not need them to satisfy their forecasted compliance obligations until 2024.
- The clearing price (\$3.00 per metric ton) was the same for both vintages, reflecting that before the auction Regulated Entities needed relatively few additional allowances to satisfy their compliance obligations for 2023. So, the majority of allowances were purchased by firms that will likely use them for compliance in 2024 or subsequent years and/or sell them in the secondary market.
- 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.

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

In summary, most allowances were awarded to the firms that will not need them until 2024 compliance. We did not observe behavior that would raise significant concerns regarding the competitiveness of the auction results.