



**MARKET MONITOR REPORT ON THE ELECTRICITY
GENERATOR EMISSIONS LIMITS PROGRAM (310 CMR 7.74):
AUCTION 2024-2**

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 CO₂ emissions from electricity generating facilities located in Massachusetts.¹ Potomac Economics monitors the conduct of market participants in the auctions and in the secondary market to identify indications of anti-competitive conduct. Auction 2024-2 included two offerings: one offering for the current vintage (2024) and one offering for a future vintage (2025). This report discusses our assessment of Auction 2024-2, which was held on March 13, 2024.

Seven bidders participated in the offering of 761,180 CO₂ allowances for the current vintage year (2024). Bids were submitted to purchase 1.7 times the available supply of allowances, resulting in a clearing price of \$2.25 per metric ton. The number of 2024 vintage allowances offered in Auction 2024-2 was equal to 10 percent of the annual cap for 2024. Auction 2024-2 was the sixth of eight auctions that will be conducted to sell allowances for the 2024 vintage year.

Six bidders participated in the offering of 369,396 CO₂ allowances for a future vintage year (2025). Bids were submitted to purchase 1.8 times the available supply of allowances, resulting in a clearing price of \$1.75 per metric ton. The number of 2025 vintage allowances offered in Auction 2024-2 was equal to 5 percent of the annual cap for 2025. Auction 2024-2 was the second of eight auctions that will be conducted to sell allowances for the 2025 vintage year.

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

- The majority of the 2024 allowances were awarded to Regulated Entities who will need them to satisfy their forecasted compliance obligations in 2024, 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 \$2.25 per metric ton for the current vintage was higher than the clearing price of \$1.75 per metric ton for the future vintage, reflecting that some Regulated Entities have a preference for allowances that are usable for 2024 compliance. However, the price differential between the current and future vintage was relatively modest.
- 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 need them for 2024 compliance. We did not observe behavior that would raise significant concerns regarding the competitiveness of the auction results.

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