



**MARKET MONITOR REPORT ON THE ELECTRICITY
GENERATOR EMISSIONS LIMITS PROGRAM (310 CMR 7.74):
AUCTION 2024-3**

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 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 2024-3 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 2024-3, which was held on June 12, 2024.

Six bidders participated in the offering of 1,178,160 CO₂ allowances for the current vintage year (2024). Bids were submitted to purchase 1.2 times the available supply of allowances. The number of 2024 vintage allowances offered in Auction 2024-3 was equal to 50 percent of the remaining allowances for 2024. Auction 2024-3 was the seventh 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 1.9 times the available supply of allowances. The number of 2025 vintage allowances offered in Auction 2024-3 was equal to 5 percent of the annual cap for 2025. Auction 2024-3 was the third of eight auctions that will be conducted to sell allowances for the 2025 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 2024-3 Auction Notice). In accordance with Auction Notice, 77,070 CO₂ allowances were transferred from the current vintage offering to the future vintage offering, resulting in a clearing price of \$1.25 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:

- 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 (\$1.25 per metric ton) was the same for both vintages, reflecting that before the auction Regulated Entities already had most of the allowances needed to satisfy their compliance obligations for 2024. So, some of the current vintage allowances were purchased by firms that will likely use them for compliance in 2025 or subsequent years and/or sell them in the secondary market.

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

- The dispersion of bid prices was reduced from previous auctions, indicating more consistency of expectations regarding the value of allowances among Regulated Entities.

In summary, most allowances were awarded to the firms that will need them for 2024 compliance, but an increasing share of Regulated Entities bought allowances for future periods. We did not observe behavior that would raise significant concerns regarding the competitiveness of the auction results.