



**MARKET MONITOR REPORT ON THE ELECTRICITY
GENERATOR EMISSIONS LIMITS PROGRAM (310 CMR 7.74):
AUCTION 2024-4**

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 2024-4 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 2024-4, which was held on September 18, 2024.

Eight bidders participated in the offering of 1,178,159 CO₂ allowances for the current vintage year (2024). Bids were submitted to purchase 1.9 times the available supply of allowances, resulting in a clearing price of \$5.65 per metric ton. The number of 2024 vintage allowances offered in Auction 2024-4 was equal to 100 percent of the remaining allowances for 2024. Auction 2024-4 was the eighth of eight auctions that were conducted to sell allowances for the 2024 vintage year.

Nine bidders participated in the offering of 369,396 CO₂ allowances for a future vintage year (2025). Bids were submitted to purchase 2.2 times the available supply of allowances, resulting in a clearing price of \$5.50 per metric ton. The number of 2025 vintage allowances offered in Auction 2024-4 was equal to 5 percent of the annual cap for 2025. Auction 2024-4 was the fourth 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:

- Most of the 2024 allowances were awarded to Regulated Entities who will not need them to satisfy their forecasted compliance obligations until 2025.
- The clearing prices (\$5.65 and \$5.50 per metric ton) were very similar for the two vintages, reflecting that before the auction Regulated Entities already had most of the allowances needed to satisfy their compliance obligations for 2024.
- Bid prices were relatively dispersed, reflecting significant variation among Regulated Entities in their expectations regarding the value of allowances. The dispersion of bid prices reflects: (a) that relatively little market information has been available regarding the value of allowances and (b) that some generators earn high margins on the sale of electricity in some periods due to the wide distribution of hourly prices in the ISO New England market.

In summary, most allowances were awarded to the firms that will not need them until 2025 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>