



**MARKET MONITOR REPORT ON THE ELECTRICITY  
GENERATOR EMISSIONS LIMITS PROGRAM (310 CMR 7.74):  
AUCTION 2022-4**

**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 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 2022-4 included two offerings: one offering for the current vintage (2022) and one offering for a future vintage (2023). This report discusses our assessment of Auction 2022-4, which was held on September 14, 2022.

Twelve bidders participated in the offering of 1,203,642 CO<sub>2</sub> allowances for the current vintage year (2022). Bids were submitted to purchase 2.5 times the available supply of allowances, resulting in a clearing price of \$14.73 per metric ton. Auction 2022-4 was the last of four auctions that were conducted to sell allowances for the 2022 vintage year.

Seven bidders participated in the offering of 391,784 CO<sub>2</sub> allowances for a future vintage year (2023). Bids were submitted to purchase 1.9 times the available supply of allowances, resulting in a clearing price of \$7.51 per metric ton. The number of 2023 vintage allowances offered in Auction 2022-4 was equal to 5 percent of the annual cap for 2023. Auction 2022-4 was the second of six auctions that will be conducted to sell allowances for the 2023 vintage year.

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

- Most of the 2022 allowances were awarded to Regulated Entities who will need them to satisfy their forecasted compliance obligations for 2022, 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 \$14.73 per metric ton for the current vintage was higher than the clearing price of \$7.51 per metric ton for the future vintage, reflecting the need for some Regulated Entities to obtain additional allowances for 2022 compliance.
- Bid prices were widely dispersed and generally higher than the clearing price, 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 2022 compliance, while some acquired more than they will likely need for 2022 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>