

## Auction Summary

At the third auction, held on May 16, 2013, the California Air Resources Board (CARB) sold all of the Vintage 2013 (V13) 14.5 million allowances available for 2013 at \$14.00 per allowance, 31% above the \$10.71 floor price. There were a diverse array of 81 qualified bidders and there were almost 1.8 times more credits bid on than were sold. The state also auctioned 9.56 million Vintage 2016 (V16) allowances of which nearly 80% were sold at the floor price of \$10.71. By selling more than 10 million state-controlled allowances, California's third auction raised over \$117 million that will be used to advance the goals of AB 32, to reduce climate pollution. A complete [CARB report \(PDF\)](#) gives more details on the results.

Allowance year	Allowances offered	Allowances sold	Settlement price
2013	14,522,048	100%	\$14.00
2016	9,560,000	78.6%	\$10.71

## EDF Analysis

The third auction results show a maturing market as we hit the six month mark. Key takeaways include:

- A continued strong demand for 2013 (current vintage) allowances coupled with a record price of \$14.00 a ton signals a healthy market.
- While not all future 2016 allowances sold, there was a record demand with nearly 80% sold, indicating an increase in confidence of the program's long term viability.
- The price of allowances remained in check and abatement costs continue to look lower than many projected.
- There remains a strong diversity of qualified bidders. Although there were slightly fewer qualified bidders than last auction (down by 10), several new participants were registered including municipal utilities and smaller industrial companies. These new participants suggest companies are prepared and taking the program seriously.
- There remains to be strong integrity in the auction process as ARB staff and the Market Monitor reported that, "the auction cleared consistent with the auction clearing rules in the regulation and appropriate economic logic."
- The approximately \$166 million generated by the sale of utility owned allowances and \$117 million by the sale of state-held allowances will go back to furthering the goals of the program and move California towards a clean energy economy.

## Auction Proceeds

As we've written in past auction updates, the proceeds raised from California's cap-and-trade auctions are expected to bring in several billion dollars and must be used to reduce the state's greenhouse gas emissions. Last Tuesday, Governor Brown released the first three-year investment plan for the cap and trade proceeds. It details three broad categories of expenditures the state will pursue to reduce greenhouse gas emissions:

- Transportation and infrastructure;
- Energy efficiency and clean energy; and
- Resources and waste

## May 2013 Auction Analysis

The plan is the result of a process that began with the passage of [two bills](#) in 2012 and continued through many months of deliberations by the California Air Resources Board (CARB), a process in which EDF was actively involved.

In releasing the new plan, the Brown administration also proposed routing the auction proceeds from 2012 and 2013 into the state's general fund as a loan that would be paid back in full, with interest, in the future. The proposal, which is subject to legislative approval, would use the loan to help balance the state budget and give the state extra time to identify the highest priority, most effective investments for GHG reductions. The final decision on the use of cap-and-trade proceeds will be made as the legislature considers the plan over the next month and a half as part of the budget process. EDF remains steadfast in supporting the wise investment of proceeds that create economic and environmental benefits for the State.

[For more information, see EDF's California Dream 2.0 Blog Posts](#)

- [California's Cap and Trade Program After Six Months: Three Reasons the Momentum is Here to Stay](#)
- [California's Cap-and-Trade Auction Investment Plan: Top 10 Reasons it's a Winning Formula for California](#)
- [Linkage Approval Boosts Cap-and-Trade Momentum](#)