

## Auction Summary

At this first auction, the Air Resources Board sold all of the 23.1 million allowances available for 2013 at \$10.09 each, just a few cents above the \$10 price floor. Though bidding information about specific participants is not publically released, there were 73 qualified bidders, the majority of which were covered entities, and more bids were submitted for 2013 allowances than allowances sold. A publicly available list of qualified bidders can be found in [CARB's summary results report](#) and attached is a visual breakdown. The state also auctioned 39.5 million allowances available for 2015 and 5.6 million of those were sold at the floor price of \$10. In total, this first auction raised \$289 million.

## EDF Analysis

This inaugural auction was a success for several reasons.

1. The demand of 2013 allowances was greater than the supply showing that companies are taking the market seriously and are ready to be active participants in cleaning up California's air.
2. A fair price on carbon was established which sends an important market signal to investors. Anticipation of California's cap-and-trade program has helped attract more than \$9 billion in clean tech investments since 2006. We expect this successful launch to attract even more capital from across the globe to the state's fast-growing clean-tech and renewable energy sectors.
3. A lower carbon price can be a sign that companies believe they can achieve emissions reduction goals at a low cost. However, we should not rely heavily on these results to project future auction prices. The state will hold auctions four times a year through 2020, for a total of 32 more auctions. Over time, the market will change and both prices and participation will fluctuate as the cap reduces and businesses decide how best to participate.
4. The proceeds raised from the 2013 allowances will go to electricity ratepayers (both residential and some commercial and industrial) to offset potentially higher bills, and money from the 2015 allowances will be directed to GHG reduction programs like clean energy and energy efficiency yet to be determined.

Other experts also had a positive post-auction analysis. Mary Nichols, CARB chairwoman, said, "The goal was to have a competitive bidding process and get the allowances to the people who needed them and we were extremely successful in doing that."

Rob Day, partner at Black Coral Capital in Boston said, "Today's result makes me want to invest more in California. It's an important signal. In this policy environment being able to point to a working policy is really valuable to an investor like myself. And to see California pull this off and especially getting the level of bidder interest is a really positive development."

## Next Steps

Though there is certainly still work to be done in determining the direction of auction revenue investments and ensuring the program is supported and properly implemented, this auction marked a smooth and successful first step. The next auction is scheduled for February 2013.

As the program moves forward, EDF would like to be a resource to others on understanding the market and welcomes any feedback or input.

### For more information, some good reads:

- EDF's California Dream 2.0 Blog Posts:
  - [California Cap-and-Trade Auction Success](#)
  - [Innovate, not Litigate](#)
- SF Chronicle: [State's 1st carbon auction goes smoothly](#)
- LA Times: [California's first carbon-credit auction raises \\$290 million](#)