

# Regional Greenhouse Gas Initiative

an Initiative of the Northeast and Mid-Atlantic States of the U.S.

## Fact Sheet: RGGI CO<sub>2</sub> Allowance Auctions

- **What portion of RGGI CO<sub>2</sub> allowances are offered for sale at auction?**

Overall, the RGGI states have chosen to offer over 90 percent of CO<sub>2</sub> allowances through quarterly CO<sub>2</sub> allowance auctions. RGGI is the first market-based emissions reduction program to distribute most CO<sub>2</sub> allowances by auction.

- **Why do the RGGI states auction CO<sub>2</sub> allowances?**

Auctioning CO<sub>2</sub> allowances ensures that all parties have access to CO<sub>2</sub> allowances under uniform terms. At the same time, auctioning CO<sub>2</sub> allowances, rather than distributing them for free, realizes the value of the CO<sub>2</sub> allowances for reinvestment in strategic energy programs that save consumers money and create jobs.

- **What do RGGI states do with proceeds from the RGGI CO<sub>2</sub> allowance auctions?**

The RGGI participating states are investing proceeds from the RGGI CO<sub>2</sub> allowance auctions in a variety of consumer benefit programs, including energy efficiency, renewable energy, and greenhouse gas abatement programs. These investments reduce greenhouse gas emissions and generate important consumer benefits, including reducing energy bills, supporting electric system reliability, spurring job growth and helping business become more competitive.

- **Do auctions impact program costs?**

In competitive wholesale electricity markets, CO<sub>2</sub> allowances are treated as assets by electricity generators, regardless of how they were obtained. Therefore, the market value of CO<sub>2</sub> allowances is passed through in the price of wholesale electricity, regardless of whether CO<sub>2</sub> allowances are auctioned or distributed for free. Flexible market-based programs with CO<sub>2</sub> allowance auctions benefit consumers by harnessing the value of the CO<sub>2</sub> allowances for investment in programs that reduce energy demand, create jobs, and enhance consumers' control over their energy use and costs.

- **How are other regions learning from RGGI CO<sub>2</sub> allowance auctions?**

RGGI is a flexible market-based program that reduces emissions at the lowest possible cost. The RGGI states continue to work closely with other states and provinces to share lessons learned and best practices in the design of market-based programs to reduce greenhouse gas emissions.

### RGGI Auction Quick Facts

**RGGI Participating States:** Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont

**CO<sub>2</sub> Allowance Auction Schedule:** Quarterly

**Auction Bidders:** Open to all qualified participants

**Reserve Price/Minimum Allowable Bid:** Currently \$2.15 per CO<sub>2</sub> allowance

**Economic Benefits:** Uniform access to CO<sub>2</sub> allowances, proceeds for re-investment in energy efficiency, renewable energy and other consumer benefits

**Auction Proceeds:** States reinvest auction proceeds in consumer benefit programs, including energy efficiency, renewable energy, direct energy bill assistance and greenhouse gas abatement programs

- Who can participate in the RGGI CO<sub>2</sub> allowance auctions?**  
Any party can participate in the RGGI CO<sub>2</sub> allowance auctions, provided they meet qualification requirements, including provision of financial security. Auction rules limit the number of CO<sub>2</sub> allowances that associated entities may purchase in a single auction to 25 percent of the CO<sub>2</sub> allowances offered for sale in that auction.
- What is the format of the RGGI CO<sub>2</sub> allowance auctions?**  
The RGGI CO<sub>2</sub> allowance auctions are conducted using a “single-round,” “sealed-bid,” “uniform-price” format, in which each bidder may submit multiple confidential bids for a specific quantity of CO<sub>2</sub> allowances at different prices. Each bidder receives the quantity of CO<sub>2</sub> allowances specified in their winning bids at a uniform clearing price.
- What is a reserve price?**  
The reserve price is the minimum acceptable price for each CO<sub>2</sub> allowance in a specific auction. The minimum reserve price for 2017 is \$2.15.
- Who monitors the RGGI CO<sub>2</sub> allowance auctions?**  
The RGGI auctions are monitored by an independent market monitor, Potomac Economics. The market monitor observes the entire auction process to monitor for anti-competitive bidder conduct; ensures the auctions are administered in accordance with the noticed auction rules and procedures; and offers recommendations to the RGGI participating states regarding proposed changes to auction rules or procedures to improve the efficiency of the market for CO<sub>2</sub> allowances. The RGGI market monitor also monitors the secondary markets for RGGI CO<sub>2</sub> allowances. Quarterly reports from the market monitor contain detailed market information and are available at [www.rggi.org](http://www.rggi.org).
- Where else can market participants obtain CO<sub>2</sub> allowances?**  
Market participants can also obtain CO<sub>2</sub> allowances in various secondary markets, such as the Intercontinental Exchange (ICE), or in over-the-counter transactions.
- When and where are auction documents and results released?**  
Each auction is noticed at least 45 days before the date of the auction on the RGGI auction website, [http://www.rggi.org/market/co2\\_auctions/information](http://www.rggi.org/market/co2_auctions/information). The Auction Notice provides the auction date and time, categories of eligible bidders, requirements for qualification, quantity of CO<sub>2</sub> allowances to be auctioned, and information and procedures for participation. The Friday following each auction, the RGGI participating states publish the auction results, including auction clearing price, the total number of CO<sub>2</sub> allowances sold, and a detailed auction report that contains aggregate auction results.
- How else can I track the RGGI market?**  
The CO<sub>2</sub> emissions allowance tracking system (RGGI-COATS) allows the public to view and download 10 different kinds of reports on CO<sub>2</sub> emissions, market participants, market prices and transactions.
- What happens to unsold allowances?**  
The RGGI states do not intend to reoffer unsold 2009, 2010, 2011, 2012 and 2013 allocation year CO<sub>2</sub> allowances.

**To learn more about how RGGI auctions work and the results of past auctions visit the RGGI website at: [http://www.rggi.org/market/co2\\_auctions](http://www.rggi.org/market/co2_auctions)**

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