

Regional Greenhouse Gas Initiative

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

Fact Sheet: RGGI CO₂ Allowance Auctions

- **What portion of RGGI CO₂ allowances are offered for sale at auction?**

Overall, the RGGI states have chosen to distribute approximately 90 percent of CO₂ allowances through quarterly, regional CO₂ allowance auctions. RGGI is the first cap-and-trade program to distribute nearly all CO₂ allowances by auction.

- **Why do the RGGI states auction CO₂ allowances?**

Auctioning CO₂ allowances ensures that all parties have access to CO₂ allowances under uniform terms. At the same time, auctioning allowances, rather than distributing them for free, realizes the value of the CO₂ allowances for reinvestment in strategic energy programs that save consumers money and create jobs.

- **What do RGGI states do with proceeds from the RGGI CO₂ allowance auctions?**

The RGGI participating states are investing proceeds from the RGGI CO₂ allowance auctions in a variety of consumer benefit programs, including energy efficiency, renewable energy, direct energy bill assistance and other greenhouse gas reduction programs. Overall, 63 percent of proceeds are invested to improve end-use energy efficiency and to accelerate the deployment of renewable energy technologies. These investments reduce greenhouse gas emissions and generate important consumer benefits, including lower energy bills, greater electric system reliability, and more jobs.

- **Do auctions impact program costs?**

In competitive wholesale electricity markets, CO₂ allowances are treated as assets by electricity generators, regardless of how they were obtained. Therefore, the market value of CO₂ allowances is passed through in the price of wholesale electricity, regardless of whether CO₂ allowances are auctioned or distributed for free. Cap-and-trade programs with CO₂ allowance auctions benefit consumers by harnessing the value of the CO₂ 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 CO₂ allowance auctions?**

The RGGI CO₂ allowance auctions are serving as a model for other CO₂ cap-and-trade programs currently under development. Other major carbon markets, notably the European Union Emission Trading Scheme (EU-ETS), are moving toward allowance auctions for their electric sector.

- **Who can participate in the RGGI CO₂ allowance auctions?**

Any party can participate in the RGGI CO₂ allowance auctions, provided they meet qualification requirements, including provision of financial security. Auction rules limit the number of allowances that associated entities may purchase in a single auction to 25 percent of the CO₂ allowances offered for sale in that auction.

RGGI Auction QUICK FACTS

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

CO₂ Allowance Auction Schedule: Quarterly

Auction Bidders: Open to all qualified participants

Reserve Price/Minimum Allowable Bid: Currently \$1.93 per CO₂ allowance

Economic Benefits: Uniform access to CO₂ allowances, proceeds for re-investment in energy efficiency, renewable energy and other consumer benefits

Auction Proceeds: Overall, 80 percent invested in consumer benefit programs, including energy efficiency, renewable energy, direct energy bill assistance and other greenhouse gas reduction programs

- What is the format of the RGGI CO₂ allowance auctions?**

The RGGI CO₂ 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 CO₂ allowances at a specific price. Each bidder receives the quantity of CO₂ allowances specified in their winning bids at a uniform clearing price.
- Who monitors the RGGI CO₂ 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 CO₂ allowances. The RGGI market monitor also monitors the secondary markets for RGGI CO₂ allowances. Quarterly reports from the market monitor contain detailed market information and are available online.
- Where else can market participants obtain CO₂ allowances?**

Market participants can also obtain CO₂ allowances in various secondary markets, including the Chicago Climate Futures Exchange (CCFE) and the Green Exchange.
- 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. The Auction Notice provides the auction date and time, categories of eligible bidders, requirements for qualification, quantity of CO₂ 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 allowances sold, and a detailed auction report that contains aggregate auction results.
- How else can I track the RGGI market?**

The emissions allowance tracking system (RGGI-COATS) allows the public to view and download 10 different kinds of reports on emissions, market participants, market prices and transactions.

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