

# CALIFORNIA CAP-AND-TRADE AUCTION

## Overview of the Auction

When it happens:

Feb May Aug Nov

California Carbon Allowances (CCAs) are auctioned quarterly – **4 times a year through 2020.**

### Who is selling?

The auction is run by the state, but some of the allowances auctioned are owned by the **state** and some are owned by the **utilities** (e.g. PG&E, Southern California Edison, etc.).

### What is auctioned?

**2** types of allowances are auctioned: **CURRENT YEAR VINTAGE + FUTURE YEAR VINTAGE**

Current year allowances are eligible for use starting in the current year and future year allowances can be banked for later use but may not be used for compliance until their vintage year. Each auction has a minimum allowable bid, or “floor price,” which started at \$10 in 2012 and increases every year by 5% plus the rate of inflation.

#### Floor Price

2012: \$10.00

2013: \$10.71

*Note: A Vintage Year 2013 Allowance is abbreviated as V13. Likewise a Vintage Year 2015 is V15.*

## Auction Results to Date (March 2013)

**Summary:** All of the 36,050,932 V13 allowances available for sale in the first two auctions sold. In both auctions there were more bids than allowances available for V13. However, the sale of future vintage allowances (v15 and v16) was under-subscribed in both auctions. The great majority of bid winners in both auctions were compliance entities.

November 2012	
Vintage 2013 (V13)	23,126,110 sold(100%) at \$10.09
Vintage 2015 (V15)	5,576,000 sold (14%) at \$10.00

February 2013	
Vintage 2013 (V13)	12,924,822 sold(100%) at \$13.62
Vintage 2016 (V16)	4,440,000 sold (46%) at \$10.71

\* 44,703,432 V13 allowances remain to be auctioned in 2013, ~55% of total V13 allowances auctioned.

### Key Takeaways

- The settlement price in Nov 2012 for V13 allowances was 0.9% above the floor price and 27% above in Feb 2013.
- The 100% sale and increasing settlement price of V13 allowances point to a strong & viable carbon market.
- Strong demand in the 2<sup>nd</sup> auction and increased number of qualified bidders indicates participants are taking the program seriously.
- Moderate demand for future allowances denotes belief in program longevity.

# A Look at the Qualified Bidders

## Number of Qualified Bidders at Each Auction

Nov '12	Feb '13
73	91

**112 unique** qualified bidders

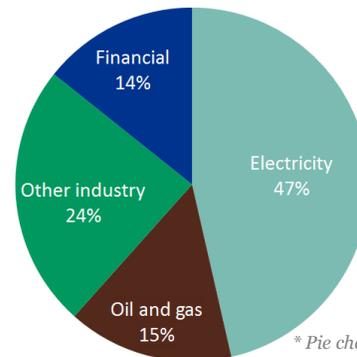
A diverse array of qualified bidders and a low HHI<sup>†</sup> index mean a competitive market and is a sign that there is no concentration of allowances in the hands of a single bidder.

## Regulated Bidders (Compliance Entities)

**71%**

of all qualified bidders

## Qualified Bidders by Industry



\* Pie chart combines data from both auctions

# Auction Proceeds for a Clean California

## Utility Owned

Auction	Proceeds
Nov '12	\$233,342,450
Feb '13	\$139,943,076
<b>Total</b>	<b>\$373,285,526</b>

This money gets returned to customers of California's investor-owned electric utilities (PG&E, So Cal Edison & SDG&E) in the following breakdown:

- **\$317,292,697 (85%)** to households
- **\$37,328,553 (10%)** to small businesses (demand not more than 20kW in more than 3 months)
- **\$18,664,276 (5%)** to leakage exposed industries

## State Owned

Auction	Proceeds
Nov '12	\$55,760,000
Feb '13	\$83,645,400
<b>Total</b>	<b>\$139,405,400</b>

This money will be put in the state's Greenhouse Gas Reduction Fund and must be used to advance the goals of AB 32. At least **25% (\$34,851,350) must go to benefit disadvantaged communities**. Details for using these proceeds are being discussed via a public comment period, and areas of focus will likely include transportation and energy efficiency. Usage details will be known by June 2013.

\*Amounts listed are from first two auctions only

# The Secondary Market

The secondary market is where previously issued CCAs are bought and sold. Investors or entities can purchase them here instead of from the state run quarterly auctions. Secondary market CCAs are sold on the IntercontinentalExchange (ICE).

Since the first auction, the price of V13 CCAs on the secondary market has continued to increase. As of March 1, 2013 V13 CCAs are trading between \$14-\$15. Demand for future vintage allowances and offsets is lower.

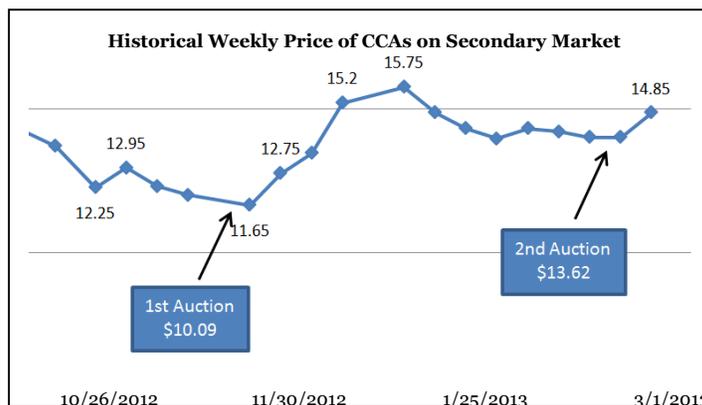


Chart data source: [Point Carbon](#)

<sup>†</sup> The Hirschman-Herfindahl index (HHI) is a measure of the concentration of allowances purchased by winning bidders relative to the total sale of current vintage allowances in the auction. See official auction results at: <http://www.arb.ca.gov/cc/capandtrade/auction/auction.htm>