

# Special Topics Webinar: California Carbon Allowance Post-Auction Roundtable

November 28, 2012



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**Scott Hernandez**

Business Development  
Manager

# Guest Panel



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**Emilie Mazzacurati**

*Managing Director*

*Four Twenty Seven | Climate Research & Consulting*

**Timothy O'Connor**

*Attorney/Director of California Climate Initiative*

*Environmental Defense Fund (EDF)*

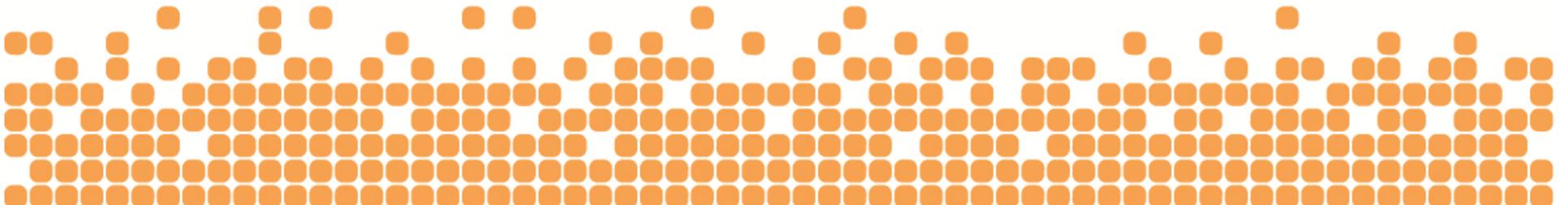
**Dave Mann**

*Environmental Markets Broker,*

*TFS Energy LLC*

**Scott Hernandez - Moderator**

*Climate Action Reserve*





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# Discussion Agenda

## Introduction and Auction Information

*Auction Results – how did it go?*

*Auction Format – how it worked?*

*Who participated – Why?*

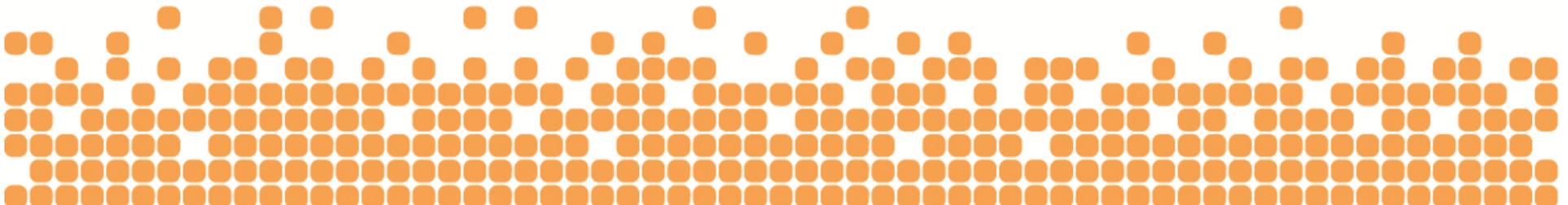
*Who gets the money?*

## Open Discussion

*Panelists will discuss will continue to discuss these questions while opening up to questions from the audience*

- *What do the auction results say about the future of the program and the market for offsets and allowances?.*
- *Legal challenges and market confidence?*
- *What does the settlement price indicate?*

## Question & Answer





# California Carbon Allowances Post-Auction Webinar

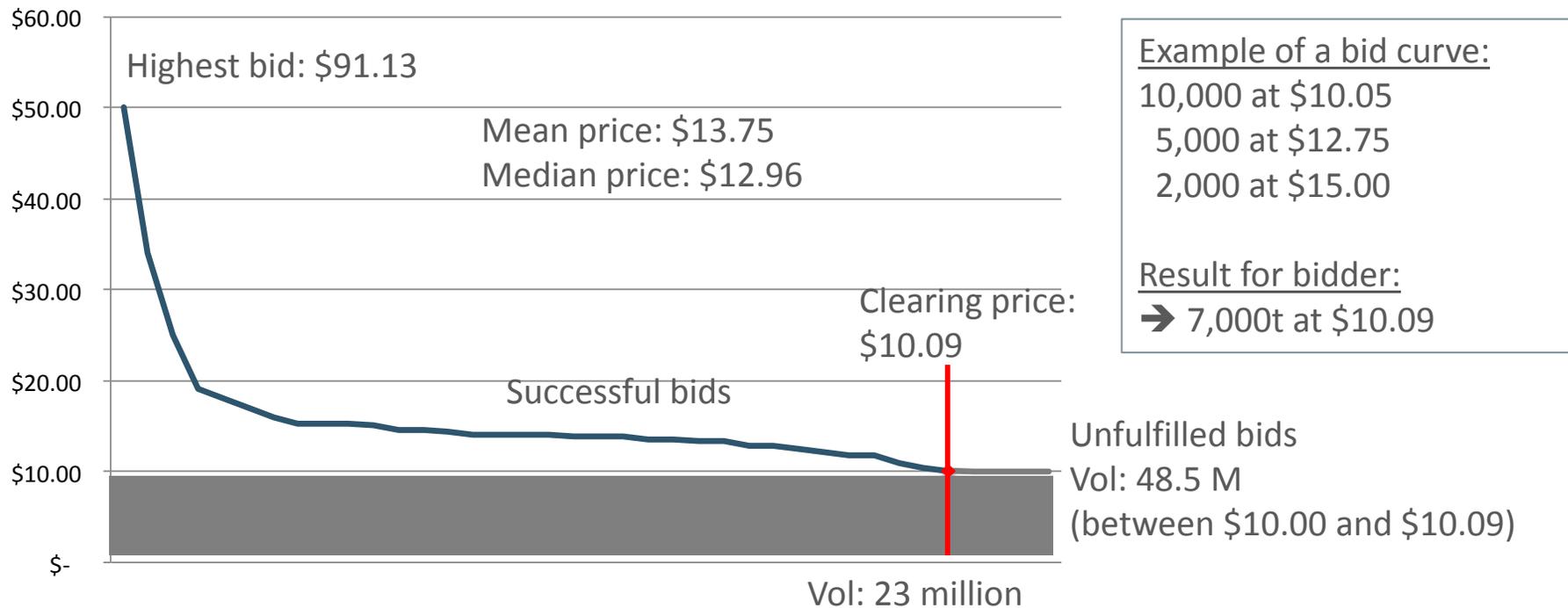
Emilie Mazzacurati  
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# + California's First Allowance Auction Results

- On November 14, California held its first auction of carbon allowances (CCAs)
- 23M allowances Vintage 2013 were offered for sale
  - All allowances sold at a clearing price of \$10.09
  - 3 times as many bids as allowances offered
- 39.5M allowances Vintage 2015 were offered for sale
  - 5.6M allowances sold (14%) at a price of \$10.00
- Total revenue raised: \$289.1 million
- 73 companies and government agencies were approved to participate in the auction

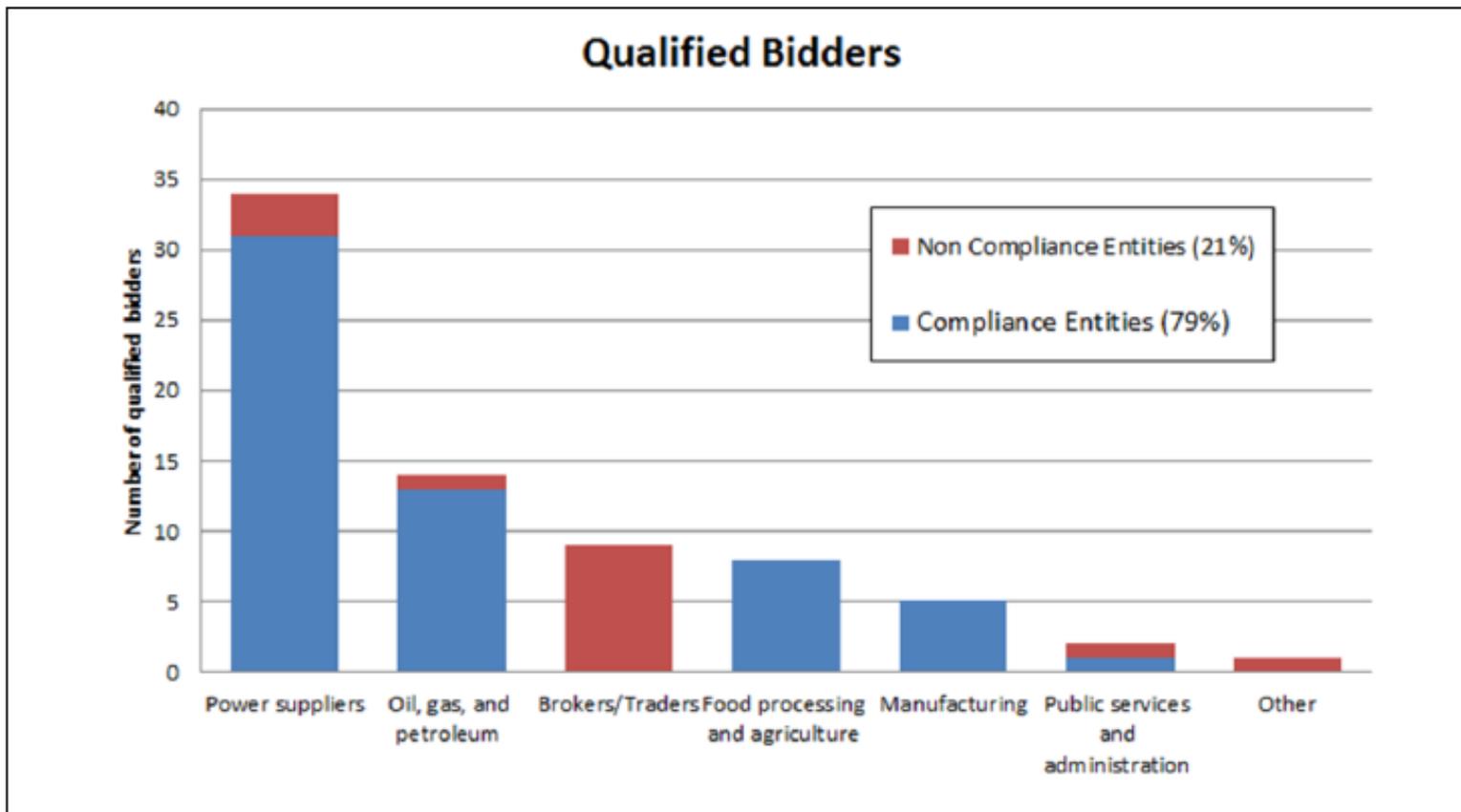
# + How the Auction Works

- The auction is a single-round, sealed bid, single clearing price format
  - Participants bid only once, but they can place multiple bids  
e.g. 10,000 allowances at \$10, 5,000 at \$12, 2,000 at \$15
  - All bids are secret (during and after the auction)
  - Everybody pays the same price, regardless of what they bid





**Qualified Bidders:** 73 entities qualified to participate in the first auction. A publicly available list of these bidders can be found in [CARB's summary results report](#). Below is a bar graph of qualified bidders by industry category and compliance status. As expected, industries with the largest compliance obligations had the largest representation.



# + What Happens With the Auction Revenues?

Allowance owner	# of allowances sold	Value	Use
State of California	0 M V13* 5.6 M V15	\$0 M \$ 55.8 M	GHG Reduction Fund – 3-yr investment plan towards GHG reductions. 25% towards disadv. communities
Investor-Owned Utilities	22 M*	\$220.60 M	Neutralization of GHG costs in rates, compensation to trade exposed industries and small businesses, climate dividend.
Publicly-Owned Utilities	1.3 M	\$13.3 M	Benefit of retail customers

\* Final number provided by the California Air Resources Board after the webinar



Thank you!

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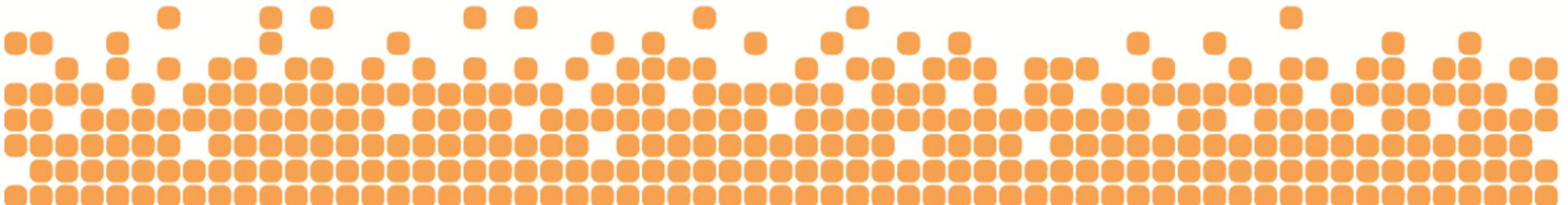
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# Questions Submitted Online

- Where will the income from the carbon sales go?
  - How will it be distributed?
- What explains the clearing price, at \$10, just above the floor for vintage 2013 allowances?
  - Is it good or bad, or neither?
- What explains price volatility in the secondary market, both long-term and reportedly immediately after the close of the auction?
- Does the difference between the results of the auction, compared with prices in the secondary market, represent restrictions in the auction that were not at play in the secondary market?





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# Open Discussion

**Fraud** Any indication of fraud or market collusion?

*Fears justified? Necessary "Lessons Learned"?*

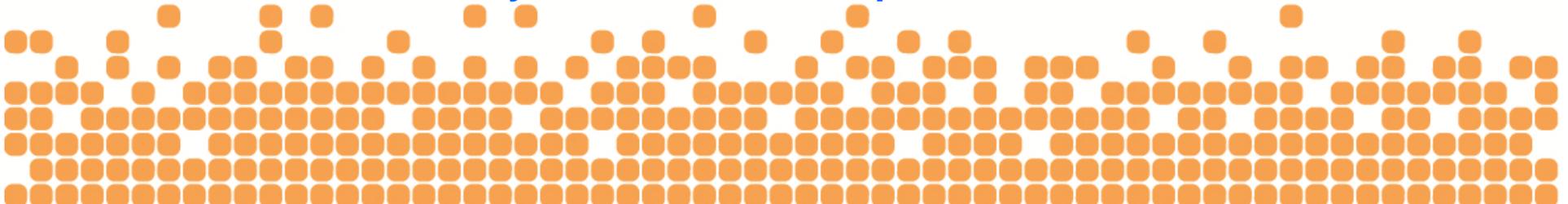
**Utilities** What does it mean that all the 2013 allowances sold during the auction were 'consigned' by the utilities?

*- Why? Did utilities buy back their own allowances?*

**Politics** Experts seem to agree that the auction was a success. Yet, this week there have been reports of disappointment from those who'd hoped a higher allowance price would bring greater revenues to the state.

*- Is this a double-edge sword for the state and CARB?*

**Market** What does the fact that 97% of bids came from compliance entities say about the market for allowances and offsets? Secondary market? Traders/speculators?



# Open Discussion



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**Legal:** How do you see the last minute legal challenges having affected (or not) on the market?

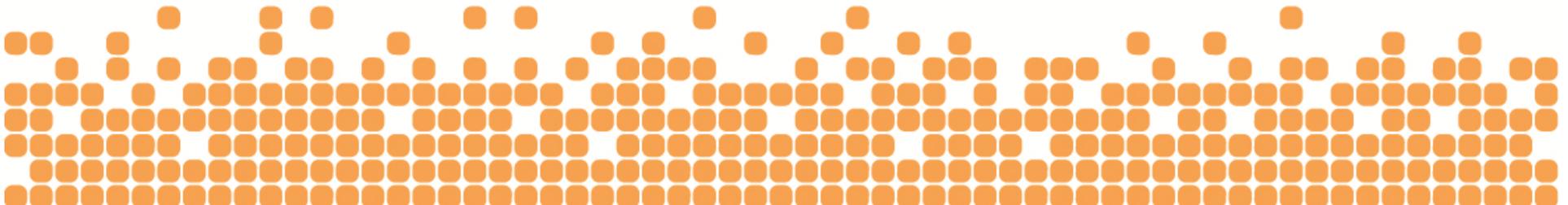
*So many lawsuits, are we seeing diminishing returns in reactions in the market?*

*Nothing new for CARB? A more resilient program?*

**Program:** What does this first auction tell us about the state being able to meet the goals of AB32, while growing the economy?

**Price** How did they arrive at the \$10.09 settlement price, if they average bid was \$13.75?

*- Does the \$10.09 price indicate confidence among businesses that they can reduce GHGs internally at lower cost?*



# Questions & Answer?

Please submit questions into the webinar software, and we will answer them in the order they are received.



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