

# Client Alert.

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## CARB Restates Its Cap-and-Trade Auction Results

By Michael Steel, William Sloan, and Theresa Cho

Last week the California Air Resources Board (CARB) issued an update to its November 19, 2012 report summarizing the results of the State of California's first auction of greenhouse gas emissions allowances. The results in the initial November 19 summary report included submitted bids that CARB disqualified for failing to comply with the auction rules and limits on bidding. The summary statistics in the December 6 report now include only qualified bids that met the holding limit, purchase limit, and bid guarantee requirements.

The updated CARB report states that “a very small number of auction participants exceeded their purchase limit, holding limit, or bid guarantee,” and that the exclusion of these bids resulted in an adjustment of the ratio of total bids to the total number of 2013 allowances from 3.10 to 1.06. It is difficult to understand how CARB considers a ratio drop of 3.10 to 1.06 to be “very small.” In effect, CARB disqualified two-thirds of the bidding demand.

The settlement price for the 2013 vintage allowances remained at \$10.06. CARB noted that the average bid price increased from \$13.75 to \$15.60, and that the median price was essentially unchanged at \$12.95. Given the structure of the auction, these statistics do not shed much light on value, but rather reflect high bids that were designed to ensure a purchase, though with no expectation that the bid amount would actually be paid.

CARB stated that all future auction summary reports will be based on qualified bids only.

The full report is located at:

[http://www.arb.ca.gov/cc/capandtrade/auction/november\\_2012/auction1\\_summary\\_statistics\\_2012q4nov.pdf](http://www.arb.ca.gov/cc/capandtrade/auction/november_2012/auction1_summary_statistics_2012q4nov.pdf)

### Contact:

**Michael Jacob Steel**  
(415) 268-7350  
[msteel@mofo.com](mailto:msteel@mofo.com)

**William M. Sloan**  
(415) 268-7209  
[wsloan@mofo.com](mailto:wsloan@mofo.com)

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