



**MARKET MONITOR REPORT ON THE ELECTRICITY  
GENERATOR EMISSIONS LIMITS PROGRAM (310 CMR 7.74):  
AUCTION 2026-1**

**Prepared for:**

**Massachusetts Department of Environmental Protection on behalf of the  
Commonwealth of Massachusetts**

**Prepared by:**



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Potomac Economics is the Market Monitor for the Massachusetts Department of Environmental Protection (“MassDEP”) program to limit CO<sub>2</sub> emissions from electricity generating facilities located in Massachusetts.<sup>1</sup> Potomac Economics monitors the conduct of market participants in the auctions and in the secondary market to identify indications of anti-competitive conduct. Auction 2026-1 included two offerings: one offering for the current vintage (2026) and one offering for a future vintage (2027). This report discusses our assessment of Auction 2026-1, which was held on December 10, 2025.

Ten bidders participated in the offering of 716,404 CO<sub>2</sub> allowances for the current vintage year (2026). Bids were submitted to purchase 2.9 times the available supply of allowances, resulting in a clearing price of \$22.00 per metric ton and the sale of all allowances offered. The number of 2026 vintage allowances offered in Auction 2026-1 was equal to 10 percent of the annual cap for 2026. Auction 2026-1 was the fifth of eight auctions that will be conducted to sell allowances for the 2026 vintage year.

Seven bidders participated in the offering of 347,008 CO<sub>2</sub> allowances for a future vintage year (2027). Bids were submitted to purchase 2.7 times the available supply of allowances, resulting in a clearing price of \$13.08 per metric ton and the sale of all allowances offered. The number of 2027 vintage allowances offered in Auction 2026-1 was equal to 5 percent of the annual cap for 2027. Auction 2026-1 was the first of eight auctions that will be conducted to sell allowances for the 2027 vintage year.

Based on our review of auction outcomes and bidding of individual Regulated Entities, we find:

- The vast majority of the 2026 allowances were awarded to Regulated Entities who will need them to satisfy their forecasted compliance obligations for 2026, while some were awarded to firms that will not need them for compliance until subsequent years.
- The clearing price of \$22.00 per metric ton for the current vintage was higher than the clearing price of \$13.08 per metric ton for the future vintage, reflecting that most Regulated Entities have a preference for allowances that are usable for 2026 compliance.
- Clearing prices for 2026 allowances increased 46 percent from the previous auction held in September. The increase was driven by a widespread increase in the bid prices submitted by most auction participants, implying that Regulated Entities expect allowance surpluses to shrink sooner than previously expected.
- Bid prices were widely dispersed, reflecting significant variation among Regulated Entities in their expectations regarding the value of allowances. The dispersion of bid prices reflects: (a) that relatively little market information has been available regarding the value of allowances and (b) that some generators earn high margins on the sale of electricity in some periods due to the wide distribution of hourly prices in the ISO New England market.

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<sup>1</sup> <https://www.mass.gov/guides/electricity-generator-emissions-limits-310-cmr-774>

In summary, most allowances were awarded to the firms that will need them for 2026 compliance. We did not observe behavior that would raise significant concerns regarding the competitiveness of the auction results.