



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

AUCTION 2026-4

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 CO₂ emissions from electricity generating facilities located in Massachusetts. Potomac Economics monitors the conduct of market participants in the auctions and in the secondary market to identify indications of anti-competitive conduct. Auction 2026-4 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 2026-4, which was held on September 16, 2026.

Twelve bidders participated in the offering of 1,907,612 CO₂ allowances for the current vintage year (2026). Bids were submitted to purchase 1.4 times the available supply of allowances. The number of 2026 vintage allowances offered in Auction 2026-4 was equal to 100 percent of the allowances remaining under the annual cap for 2026. Auction 2026-4 was the last of eight auctions conducted to sell allowances for the 2026 vintage year.

Eleven bidders participated in the offering of 347,008 CO₂ allowances for a future vintage year (2027). Bids were submitted to purchase 2.7 times the available supply of allowances. The number of 2027 vintage allowances offered in Auction 2026-4 was equal to 5 percent of the annual cap for 2027. Auction 2026-4 was the fourth of eight auctions that will be conducted to sell allowances for the 2027 vintage year.

Based on the initial quantities offered and bids submitted, the initial clearing price of the current vintage event would have been lower than the initial clearing price of the future vintage event. However, the auction process is designed to ensure that the future vintage clearing price will never be greater than the current vintage clearing price (as described in Section 7.1 of the 2026-4 Auction Notice). In accordance with the Auction Notice, 215,767 CO₂ allowances were transferred from the current vintage offering to the future vintage offering, resulting in a clearing price of \$10.85 per metric ton for both vintages. Thus, bidders receiving awards in the future vintage event will each receive allowances of both current and future vintages.

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

- The majority of the 2026 allowances were awarded to Regulated Entities who will use them to satisfy their forecasted compliance obligations for 2026, while some were awarded to firms that will not need them for compliance until 2027.
- The clearing price (\$10.85 per metric ton) was the same for both vintages, reflecting that most Regulated Entities have some need for allowances that are usable for 2026 compliance while also purchasing for expected 2027 compliance obligations. The reduced clearing price for the current vintage reflects that some Regulated Entities expect to satisfy their compliance obligations for 2026 through a combination of allowance purchases and reduced emissions.

- 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.

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.