
310 CMR 7.74 Program Review Stakeholder Meeting

November 16, 2021

Registration Link:

<https://us06web.zoom.us/meeting/register/tZUrduygqTMoEtLk5KWR6Jb56TjKGX3LTcdW>



Meeting Outline

- 310 CMR 7.74 program review process (5 min)
 - Summary of comments received in May (5 min)
 - Market monitor recommendation (10 min)
 - Questions, discussion, and comments (\approx 30 min)
 - Written comments: to climate.strategies@mass.gov by 12/9
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- Note: *No changes to upcoming December auction*



310 CMR program review process

- 310 CMR 7.74(11): *Not later than December 31, 2021 and every ten years thereafter, the Department shall complete a review, including an opportunity for public comment, of the requirements of 310 CMR 7.74 to determine whether the program should be amended. This review shall evaluate CO2 emissions, costs, consistency with statewide CO2 emissions limits established pursuant to M.G.L. c. 21N, and any other information relevant to review of the program.*
- May 2021: Discussion Document and public comment period on scope of review
- November 2021: Public comment period on changes to the auction schedule (and any other topics raised by stakeholders)



Summary of comments received in May

- No particular program change was supported by more than 1-2 commenters
- Comments on stringency were mixed, but generally not supportive of specific changes
- One commenter suggested an annual auction of banked allowances, but other comments were mixed or opposed to any changes in banking
- Two commenters supported facility-specific bid limits
- No commenters supported advance auctions, and two expressed concerns



Market monitor recommendation (rationale)

- April 2021: *Future program review activities could consider the sale of future allowance vintages . . . Such a change . . . would provide firms more opportunity to engage in hedging, would enhance price discovery for future vintages, and may increase liquidity for current period allowances which would otherwise be held for future compliance obligations.*
- August 2021: *I recommend conducting quarterly auctions for future control period allowances. . . The lack of comments on the proposed change should not be taken as an indication that the proposed change would not be beneficial . . . the sale of future year allowances would [expand] the pool of allowances in circulation, thereby making it . . . easier. . . to obtain needed allowances.*



Market monitor recommendation (process)

- *I would recommend selling a relatively small number of allowances for future compliance in each quarterly auction (e.g., 5 percent of the annual cap). This would be sufficient to promote price discovery and allow firms to hedge future power sales (without bidding up the price of allowances in the current year).*
- *The sale of two different vintages could be done by conducting two auctions simultaneously. . .However, a more efficient alternative process would offer allowances from both compliance years in a single auction with a joint market clearing rule [that] would allow winning bids for future year allowances to be filled by current year allowances.*



Questions, discussion, comments, next steps

- Questions and discussion (any topic related to 310 CMR 7.74)
- Comments (any topic related to 310 CMR 7.74)
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- Note: *No changes to upcoming December auction*

