The California Air Resources Board (CARB) released the results from its first auction of greenhouse gas (GHG) allowances today. It sold all of the approximately 23 million current allowances (2013 vintage) at $10.09. It sold 14% of the approximately 39.5 million advance allowances (2015 vintage) at $10.00.

As I discussed last week, the unsold advance allowances will be held by CARB and offered for sale in either late 2014 or 2015 when that vintage becomes "current."

Given the number of allowances sold, we can easily estimate the gross revenue generated by this first auction:

- ~23.1 million current allowances * $10.09 = $233 million. These funds are from consigned utility allowances and the revenue will be used to benefit ratepayers, as regulated by the Public Utilities Commission.
- ~ 5.5 million advance allowances * $10.00 = $55 million

It is not surprising that advance allowances did not sell out. Any compliance entity can use 2013 vintage allowances this year or save them for use in subsequent years. So 2013 allowances are slightly more valuable than 2015-vintage, which as their name indicates, cannot be used until 2015 or later. A Bloomberg News Report, which correctly anticipated that advance allowances may not sell out, suggested that many companies are unwilling to purchase allowances to cover emissions more than one or two years in advance, whereas the advance allowances would not be due until 2015.

Early market reaction has the December 2013 futures (for 2013-vintage allowances) trading between $10.75 and $11.75. This basically means that the market anticipates that vintage-2013 allowance prices will rise from today's auction to approximately $11.25 by December 2013.

Other points of interest from the auction results:

- You can see the list of auction participants here. Almost all the allowances were purchased by compliance entities. But one or more non-compliance entities purchased about 500,000 allowances, likely hoping to get allowances cheaply to later sell as the program expands in 2015.
- The maximum bid for a 2013 allowance was $91.13. The median price was $12.96.
- The index CARB uses to measure bid concentration suggests that no one

bidder purchased a large concentration of allowances. If I understand the index correctly, a single bidder purchased about 11% of all offered vintage-2013 allowances and 14% of all vintage-2015 allowances.