

RGGI Auction Research

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Overview

Purpose of Project

Provide research that will assist in the development of a successful auction design for the RGGI program

Research Team

The University of Virginia – *Bill Shobe and Charlie Holt*

Resources for the Future – *Dallas Burtraw and Karen Palmer*

California Institute of Technology – *Jacob Goeree*

Auction Design Criteria

- Promote price discovery
- Guard against collusion and/or market manipulation
- Promote efficiency (results in allowances being owned by those who value them the most)
- Be open, fair, and transparent
- Minimize price volatility
- Promote a liquid allowance market
- Avoid interference with the allowance secondary (spot) market
- Minimize administration and oversight requirements and costs

Overview

Research Methods

- Use experiments (mock auctions in lab setting) to test basic auction designs.
- Supplement with additional analysis from economic literature.

General Approach and Timing

- Phase 1: Assess auction types & recommend one or more for further analysis
 - Interim Report: May 2007
- Phase 2: Refine recommendations on auction type and mechanics
 - Final Report: October 2007
- Interface with Advisory Group and RGGI Staff Working Group
- Participate in Stakeholder Forums

Summary of Recommendations

- Joint and Uniform Auctions
- Auction Format: Sealed-Bid, Uniform Price
- Auction Frequency: Quarterly
- Advanced Sale of Future Allowance Vintages
- Reserve Price
- Unsold Allowances
- Participation
- Market Monitoring