

# Companies spend \$1 billion in latest California carbon auction

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Companies spent more than \$1 billion in California's latest sale of carbon emissions credits, making it the largest auction since the controversial cap-and-trade program began in late 2012, state officials said Wednesday.

The reason: State officials dramatically expanded the pool of credits for sale to accommodate a surge in demand. That became necessary because the cap-and-trade market has been broadened since Jan. 1 to cover the carbon coming from motor vehicle tailpipes.

Cap and trade, a centerpiece of the state's 2006 climate-change law, requires market participants to purchase credits in order to emit carbon. Until recently, that was limited to several hundred large industrial firms, such as food processors and cement manufacturers. But now the state has included transportation fuels in the program, requiring fuel wholesalers to obtain emissions credits.

That's had an effect on California motorists as wholesalers pass along their costs to consumers. Prices rose roughly 10 cents a gallon right after Jan. 1.

Cap and trade was already controversial before consumers got thrown into the equation. Business lobbyists have sued to block the state-run credit auctions, saying they're essentially an unconstitutional tax. The lawsuit was unsuccessful but the business groups filed an appeal.

The California Air Resources Board has taken steps to limit the impact on consumers. For the latest carbon auction, which was held Feb. 18, the agency dramatically increased the volume of available credits.

The result was that prices held steady. Participants paid \$12.21 per credit for the right to emit carbon this year, a price that is roughly in line with previous auctions. They paid \$12.10 apiece for credits that can be used in 2018. Each credit is good for a ton of carbon emitted.

Environmentalists said the results showed the market is functioning properly. Katie Hsia-Kiung, a carbon analyst for the Environmental Defense Fund, said the stability in prices demonstrates that the market could "pass this important growth test."

The total proceeds came to \$1.02 billion, by far the largest amount recorded to date, according to the [California Air Resources Board](#). The agency holds auctions quarterly.

"It's the biggest. The reason it's so large is that fuels have come under the cap," said David Clegern, a spokesman for the ARB. Transportation fuels account for about 40 percent of greenhouse gases.

Last week's auction was the second sale held jointly with the Canadian province of Quebec. Credits purchased in California can be used to emit carbon in Quebec, and vice versa. California officials are trying to enlist other states or provinces to join, saying a multi-state approach strengthens the fight against climate change.

The second major piece of the 2006 law is California's [low carbon fuel standard](#), which requires refiners and distributors to reduce the "carbon intensity" of their products by 10 percent by 2020. The Air Resources Board is in the process of renewing the standard after an appellate court found flaws in how the agency had implemented the regulations.

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