

Carbon Market Open for Business

While Disputes Loom

By: Daniel F. Freedman, Esq.

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Results of California's first cap-and-trade carbon auction are in and the results are mixed.

The auction was for carbon permits that permit greenhouse gas emitting businesses the right to release carbon into the air. Each permit allows the release of one metric ton of carbon. Major bidders include oil refiners (Chevron, ExxonMobil, etc.) and power generators (Pacific Gas & Electric, LA Dept. of Water and Power, etc.).

The good news is that all 23.1 million permits up for auction sold and the state raised \$233 million which will go to the state's utilities to protect ratepayers in the form of clean energy projects and energy efficiency programs.

But market expectations were that more money would be raised. As an [article](#) from Reuters points out, the price paid per metric tonne (1.1 ton) was \$10.09 not the \$11.75 to \$12.50 expected. That's a shortfall of approximately 15-20%.

And permits for 2015 underperformed, with only 5.6 million permits selling from the 39.5 million made available. In addition, 2015 permits sold at the lowest price permitted by the program, \$10.00 per metric tonne.

On top of this, the California Chamber of Commerce [filed a lawsuit on November 13](#) seeking to invalidate the cap-and-trade program. The suit argues that the California Air Resources Board "decision to withhold for itself a percentage of the annual statewide greenhouse gas (GHG) emissions allowances and to auction them off to the highest bidders, thus raising from taxpayers up to \$70 billion or more of revenue for the state to use" is not authorized under AB 32, the state's Global Warming Solutions Act.

You can read key filings in the lawsuit as follows: A filed copy of the Memorandum of Points and Authorities in Support of Verified Petition for Writ of Mandate and Complaint for Declaratory Relief can be found [here](#). A filed copy of the Petition for Writ of Mandate and Complaint for Declaratory Relief can be found [here](#).

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