



Whither California's Cap-and-Trade Program? Lost Auction Revenues, Sluggish Allowance Prices, and Unfinished Climate Leadership 08 September 2025

1. Executive Summary

California lost up to \$3.6 billion in revenues from its cap-and-trade program over the last 1.5 years. This revenue would have otherwise been directly invested into communities and used to lower utility bills for ratepayers. At the most recent auction in August, current vintage allowances sold for \$28.76, up \$2.89 from the previous auction, in part due to the Assembly releasing a proposal for legislatively extending the cap-and-trade program beyond 2030.

However, allowance prices remain sluggish compared to an all-time high of nearly \$42 USD due to persistent uncertainty over the future of California's cap-and-trade program. With only five days left in the legislative session, allowance prices remain suppressed as market participants anxiously wait to see whether Governor Newsom and the California Legislature will make good on their promise to extend the cap-and-trade program this year.

If California's leaders extend the program, then we expect allowance prices to increase initially and then be fully restored after the California Air Resources Board resumes its rulemaking to cut allowance supply in line with the state's statutory climate targets. If California's leadership fails to extend the program, then we expect perpetual sluggish allowance prices and corresponding difficulties in achieving the state's statutory climate target of reducing GHG emissions 40% by 2030.

2. Overview of Analysis

Uncertainty over legislative extension and unmet expectations over regulatory supply cuts have suppressed allowance prices in California's cap-and-trade program over the last 1.5 years. We estimate that sluggish allowance prices from the last six quarterly auctions have left between \$2.18 and \$3.60 billion of revenues on the table. These revenues could have been invested into communities through the Greenhouse Gas Reduction Fund (GGRF) and reduce energy costs through the California Climate Credit (CCC). Table 1 in the Technical Appendix describes our calculations.

Allowances sold for \$28.76 at the most recent quarterly auction, up \$2.89 from the previous quarterly auction. We attribute this increase primarily to the Assembly pushing forward a legislative vehicle for cap-and-trade extension (A.B. 1207) and releasing draft language on a cap-and-trade framework. We also find small but noticeable increases in allowance prices when Governor Newsom made political moves that were supportive of climate action. Table 2 in the Technical Appendix interprets intraday allowance prices over the last three months.

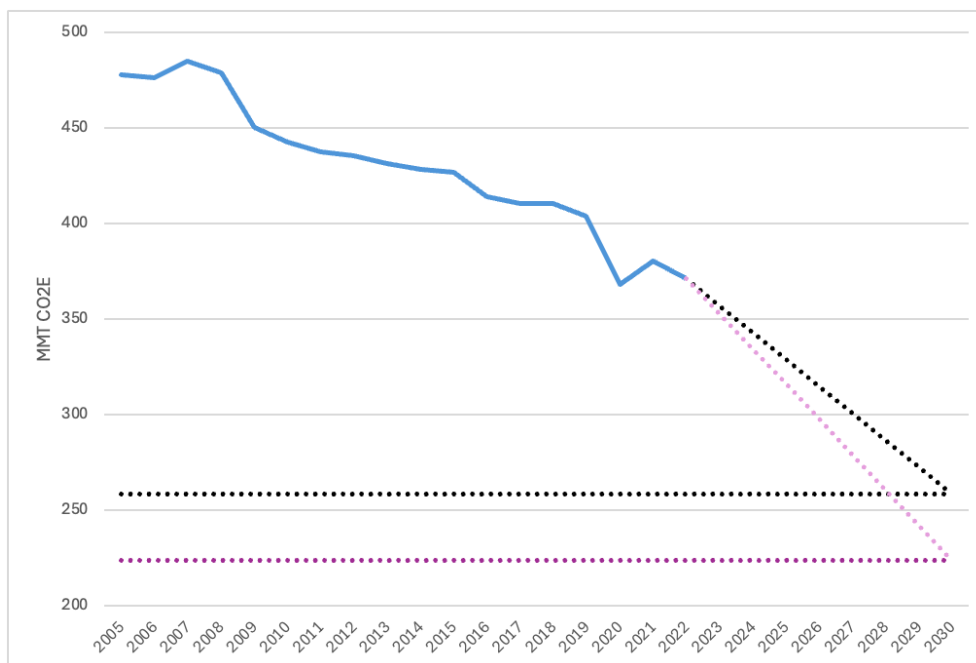
While prices have recovered slightly with these positive political developments, they remain sluggish compared to their historic high of nearly \$42, when market participants had confidence in California's commitment to using the cap-and-trade program to hit statutory climate targets. Clearly, market participants remain skeptical about and concerned over the future of California's cap-and-trade program. We expect California will continue losing between around \$287 million and \$684 million in revenue from each quarterly auction until the California legislature reauthorizes the cap-and-trade program.

Lost revenues from cap-and-trade auctions negatively impact each legislative district in California, especially lower income and rural populations. Figures 1 and 2 show estimated lost revenues from cap-and-trade auctions over the last 1.5 years by Senate and Assembly districts, respectively. The size of lost revenues is large and could have been used to help communities in numerous ways:

- The lost revenues from the August 2025 auction is greater than the total amount of awarded funds to implement [Assembly Bill 617](#) which helps to address air quality concerns or the [wildfire prevention program](#) through CalFire.
- This lost revenue to date is greater than the total cap-and-trade auction revenues that have already been invested into date in [community air protection](#) (\$1.8 billion) or [low carbon transportation](#) (\$3.6 billion).

California has reduced GHG emissions by an average of [1.72% annually](#) between 2014 and 2022, and needs to pick up the pace of these GHG reductions to 4.41% annually for the next eight years to be on track to hit the 2030 climate target. The California cap-and-trade program is uniquely positioned to align GHG emissions with state targets, however a CARB rulemaking to cut allowance supply has been frozen. If California's leadership fails to extend the program, then we expect perpetual sluggish allowance prices and corresponding difficulties in achieving the 2030 statutory climate target of 40% reduction below 1990 levels by 2030. As illustrated in Figure 3 below, these difficulties compound if the goal is instead to hit Governor Newsom's more ambitious target of 48% reduction below 1990 levels by 2030. Then California would face the difficult decision of missing our 2030 climate target or letting other more expensive policies may then need to fill the gap left by a weakened cap-and-trade program. Figure 3 shows GHG emissions and the two 2030 climate targets over time.

Figure 3
California GHG Emissions and 2030 Climate Targets



3. Technical Appendix

Figure 1
Lost Auction Revenue by Senate District Over the Last 1.5 Years

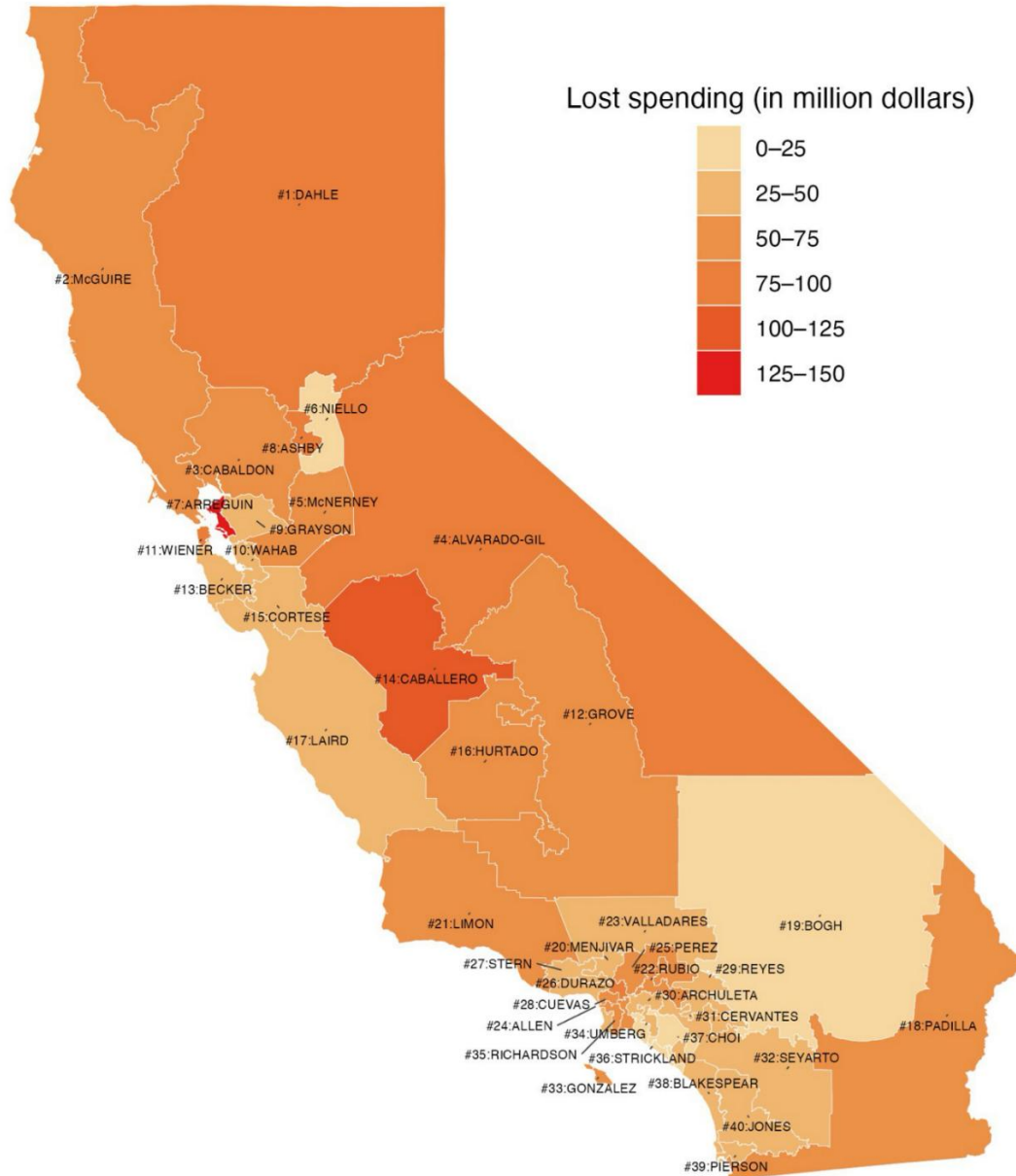


Figure 2
Lost Auction Revenue by Assembly District Over the Last 1.5 Years

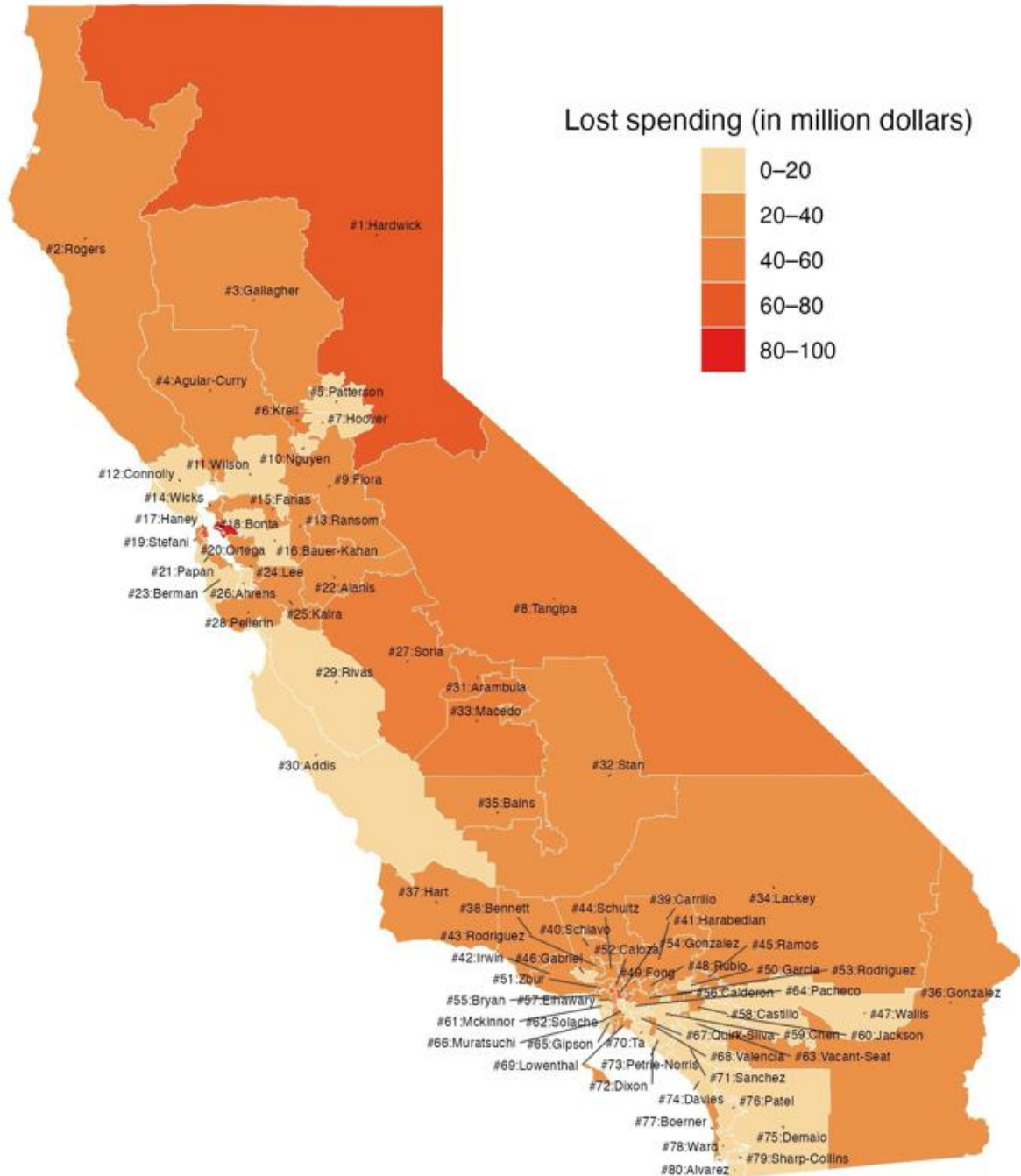


Table 1
Estimates of Lost Revenue (Million USD) in California's Cap-and-Trade Auctions

Auction	Actual Revenue			Expected Revenue			Lost Revenues		
	Consigned	CARB	Total	Consigned	CARB	Total	Consigned	CARB	Total
Aug-25	635	843	1478	922	1220	2142	287	377	664
May-25	550	596	1146	888	1220	2107	338	624	961
Feb-25	634	851	1485	905	1220	2125	271	369	640
Nov-24	669	990	1659	875	1305	2180	206	315	521
Aug-24	592	943	1535	818	1302	2119	226	359	584
May-24	740	1166	1906	835	1302	2137	95	136	230
Total	3820	5389	9209	5243	7569	12810	1423	2180	3600

Table 2
Intraday Allowance Price Movements and Their Interpretations
June through September 2025

Date	Secondary Market Daily Price Movement	Interpretation
June 18, 2025	\$0.52	July 14, 2025, Politico article highlighting lost Cap-and-Trade auction revenue due to program uncertainty. July 16, 2025, AB 1207 was heard and passed in the Senate Environmental Quality Committee hearing.
June 25, 2025	\$0.59	June 24, 2025, The draft budget agreement released. June 25, 2025, Governor Newsom releases press release clarifying the impact of climate policies on fuel prices.
July 29, 2025	\$0.46	July 29, 2025, EPA releases reversal of endangerment finding and USCA, with Newsom as co-chair responds.
August 19, 2025	\$0.60	August 19, 2025, Politico article contains Assembly Member Irwin's revised AB 1207 language.
August 28, 2025	\$0.57	August 27, 2025, August auction results released. August 27, 2025, Assembly LCFS select committee hearing shows board support for continuation of the program.