

37. Correct. The answer is true. The optimal level of abatement is where the marginal cost of abatement for refinery 1 is equal to the marginal cost of abatement for refinery 2 or where $9A_1 = 3A_2 \rightarrow A_1 = 3A_2$. The total amount of abatement equals $A_1 + A_2 = 20$. $3A_2 + A_2 = 20 \rightarrow A_2 = 5$ and $A_1 = 3A_2 = 3 * 5 = 15$. The number of marketable permits that would need to be issued would be 20, and the price where the permits would settle would be at MC at the optimal allocation or Permit price = $9 * A_1 = 9 * 5 = 45 = 3 * A_2 = 3 * 15 = 45$.

