

Auction Notice

California Cap-and-Trade Program and Québec Cap-and-Trade System

Joint Auction of Greenhouse Gas Allowances

On November 15, 2016

Update Issued on October 7, 2016

Auction Summary

This document, Auction Notice for the California Cap-and-Trade Program and Québec Cap-and-Trade System Joint Auction of Greenhouse Gas Allowances on November 15, 2016 (Auction Notice), is the official notification for the November 15, 2016, joint greenhouse gas (GHG) allowance auction (November 2016 Joint Auction #9). The November 2016 Joint Auction #9 will offer years 2015 and 2016 vintage allowances in the Current Auction and year 2019 future vintage allowances in the Advance Auction. In the Auction Platform, the November 2016 Joint Auction #9 is identified by the title Joint Auction/Enchère liée #9.

Additional background information, detailed instructions, and examples are posted in two supporting documents to provide information that remains static for each 2016 auction event. The [2016 Detailed Auction Requirements and Instructions](#) document provides background information on the California Cap-and-Trade Program and Québec Cap-and-Trade System as well as detailed requirements and instructions for participating in a joint auction, including eligibility; applicant requirements; administrative requirements; submitting a bid guarantee; bidding; and a description of the process to complete auction financial settlement and transfer of allowances. This document was formerly included as Attachment A to each Auction Notice.

The [2016 Auction Examples](#) document provides information and examples of how to determine the amount of a bid guarantee, how holding and purchase limits are applied, how U.S. and Canadian currencies are handled, and examples of how joint auctions are settled. This document was formerly included as Attachment B to each Auction Notice.

Date and Time of Auction

The November 2016 Joint Auction #9 is scheduled to take place on November 15, 2016 from 10:00 AM Pacific Time (PT) / 1:00 PM Eastern Time (ET) until 1:00 PM PT / 4:00 PM ET.

The Auction Platform can be accessed at <https://www.wci-auction.org> or from the jurisdictions' and WCI, Inc.'s webpages.

Allowances Offered for Sale

The auction of allowances from the current and previous budget years is known as the Current Auction. The auction of future vintage allowances is known as the Advance Auction. The Current Auction and Advance Auction will occur simultaneously at the date and time identified in this Auction Notice.

Allowances offered for sale in the November 2016 Joint Auction #9 are issued under the California Cap-and-Trade Program and the Québec Cap-and-Trade System. The number of allowances listed for the Current Auction includes California state- and Québec provincial-owned allowances and California allowances consigned by electrical distribution utilities and natural gas suppliers (consigning entities) and potentially other parties as described in the California Cap-and-Trade Regulation (California Regulation). The allowances listed for the Current Auction can include allowances that have been made available for auction from closed Compliance Instrument Tracking System Service (CITSS) accounts, allowances submitted for untimely surrender obligations, allowances that were originally freely allocated and have been returned as a result of an enforcement settlement, and consigned allowances and California state- and Québec provincial-owned allowances of the current or prior years which were offered but not sold in prior auctions. As a result, the allowances offered in the Current Auction may include allowances of vintages prior to the current year.

The number of allowances that will be available for sale in the Current Auction and Advance Auction are provided below in Table 1 below.

Table 1: Allowances Offered for Sale

Auction	Number of Allowances
Current Auction	87,161,364 87,069,495
Advance Auction	10,078,750

For the November 2016 Joint Auction #9, there will be multiple vintages offered within the Current Auction. When submitting bids for the Current Auction, all bids are placed as "Current" vintage. For allowances awarded in the Current Auction, allowances will be transferred to successful bidders according to the requirements of the CA Regulation and the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances (Québec Regulation). The number of allowances offered by vintage in the Current Auction conducted in November 2016 are provided below in Table 2 below.

Table 2: Current Auction Allowances Offered for Sale by Vintage

Vintage Year	Number of Allowances
2015	827,375
2016	86,333,989 86,242,120
Total Current Auction Budget	87,161,364 87,069,495

Annual Auction Reserve Prices

The Annual Auction Reserve Price refers to the Auction Reserve Price established and published annually by each jurisdiction. The Annual Auction Reserve Price is a predetermined minimum price at which allowances will be sold to auction participants in jurisdiction specific auctions. Each jurisdiction provides an Annual Auction Reserve Price that conforms to its Regulation.

The Annual Auction Reserve Prices for California (CA) and Québec (QC) are provided in Table 3. The CA Annual Auction Reserve Price is presented in United States Dollars (USD). The QC Annual Auction Reserve Price is presented in Canadian Dollars (CAD). The actual Auction Reserve Price in effect for each joint auction is determined the day prior to the joint auction based on the Auction Exchange Rate. This Auction Exchange Rate and Auction Reserve Price are required for joint auction currency management and are described in further detail in the [2016 Detailed Auction Requirements and Instructions](#) document.

Table 3: 2016 Annual Auction Reserve Prices

Auction	CA Annual Auction Reserve Price (USD)	QC Annual Auction Reserve Price (CAD)
Current Auction	12.73	12.82
Advance Auction	12.73	12.82

Auction Application Requirements and Instructions**I - Eligibility**

All entities eligible to participate in an auction under the California Cap-and-Trade Program or Québec Cap-and-Trade System are eligible to participate in a joint auction. California covered entities, opt-in covered entities, and voluntarily associated entities (CA entities) are eligible to participate in a joint auction. Québec emitters and participants (QC entities) are eligible to participate in a joint auction.

II - Administrative Requirements

Administrative requirements are requirements that must be met before being granted access to the Auction Platform to submit an entity's application or confirm an entity's intent to bid in an auction. These requirements include selecting the "Auction Participation" box in CITSS to agree to have entity account and account representative information transferred to the Auction Administrator and Financial Services Administrator for the purpose of facilitating participation in any upcoming auction. To establish access to the Auction Platform a Primary Account Representative (PAR) or Alternate Account Representative (AAR) must be authorized by an entity to act on its behalf in an auction.

These requirements are described in further detail in the [2016 Detailed Auction Requirements and Instructions](#) document.

III - Application Requirements

An entity will be required to complete an auction participant application at least 30 days prior to an auction in which it intends to participate. An entity applying for approval as an auction participant must be registered under the California Cap-and-Trade Program or Québec Cap-and-Trade System and have a CITSS General Holding Account that has not been revoked or suspended.

Auction application information includes the following:

- 1) Information submitted in the process of obtaining a CITSS account
 - a) Corporate identity, ownership, and capital structure of the applicant
 - b) The existence of any direct or indirect corporate associations
 - c) An allocation of the purchase limit and holding limit among associated entities, if applicable;
- 2) Bid guarantee form, currency, and return instructions; and
- 3) An attestation response

Once an entity has been approved to participate in an auction, the entity need not complete another application for subsequent auctions unless there is a material change to the information contained in the approved application, although an entity that intends to participate in an auction must inform the Auction Administrator at least 30 days prior to an auction of its intent to bid in an auction, otherwise the entity may not participate in that auction.

Auction application requirements are described in further detail in the [2016 Detailed Auction Requirements and Instructions](#) document.

Auction Schedule

Table 4 presents the current schedule for activities associated with the November 2016 Joint Auction #9 (Auction Schedule). Any changes to the Auction Schedule will be communicated through an updated Auction Notice and by email to the PAR and AARs of California and Québec registered entities who have selected the “Auction Participation” box in CITSS.

Table 4: Auction Schedule

Activities	Due Date	Time - Pacific Time (PT) / Eastern Time (ET)
Auction Notice released/ Auction application period opens	Friday, September 16, 2016	12:00 PM (Noon) PT / 3:00 PM ET
Deadline for QC entities to make changes in CITSS and submit all hard copy documents accompanying these changes ¹	Thursday, October 6, 2016	
Deadline for CA entities to make changes in CITSS and submit all hard copy documents accompanying these changes and to complete or provide an update to the Auction Application Attestation Disclosure	Monday, October 17, 2016	
Auction application period closes	Monday, October 17, 2016	8:59 PM PT / 11:59 PM ET
All bid guarantees due to Financial Services Administrator	Thursday, November 3, 2016	No later than 3:00 PM PT / 6:00 PM ET
Auction participants approved and PAR and AARs notified	Thursday, November 10, 2016	
Auction Exchange Rate and Auction Reserve Price Posted to Auction Platform	Monday, November 14, 2016	
Auction held	Tuesday, November 15, 2016	Bidding window open from 10:00 AM – 1:00 PM PT / 1:00 PM – 4:00 PM ET

¹ Under the Québec Cap-and-Trade System and Québec Regulation it is required that changes related to the distribution of the holding limit or any new business relationships must be sent to the Minister not less than forty (40) days before an auction.

Activities	Due Date	Time - Pacific Time (PT) / Eastern Time (ET)
Joint Auction Summary Results Report released	Tuesday, November 22, 2016	12:00 PM (Noon) PT / 3:00 PM ET
Auction Certified / Auction results available to qualified bidders	Tuesday, November 22, 2016	12:00 PM (Noon) PT / 3:00 PM ET
Financial settlement in cash due to Financial Services Administrator	Thursday, December 1, 2016	No later than 3:00 PM PT / 6:00 PM ET
Distribution of auction proceeds completed by	Wednesday, December 14, 2016	
Transfer of allowances into CITSS Accounts	Wednesday, December 14, 2016	
California and Québec Post Joint Auction Public Proceeds Reports released	Wednesday, December 14, 2016	
Earliest date for bid guarantee expiration	Monday, December 12, 2016 (26 days after auction)	

Procedures for Conducting the Auction

Each quarterly joint auction will be conducted using an electronic, internet-based Auction Platform that bidders use to apply to participate in an auction and submit bids in a single-round, sealed-bid auction format.

As described above, each entity must submit an application for or confirm its intent to bid in an auction. All final bid guarantees must be received by the Financial Services Administrator by no later than the date and time listed in the Auction Schedule. The Jurisdictions will approve or deny applicants for an auction within two (2) business days prior to the date the auction is scheduled to take place.

Procedures for conducting the auction are described in further detail in the [2016 Detailed Auction Requirements and Instructions](#) document with specific examples provided in the [2016 Auction Examples](#) document.

Form and Manner for Submitting Bids

Participants will be able to submit bids manually and upload bid schedules in a pre-defined Excel template in the Auction Platform during the bidding window. Bid quantities can only be submitted in multiples of 1,000 allowances. Bids for both the Current Auction and the Advance Auction will be accepted during the same scheduled

3-hour bidding window. The form and manner for submitting bids are described in further detail in the [2016 Detailed Auction Requirements and Instructions](#) document with specific examples provided in the [2016 Auction Examples](#) document.

Auction Participant Training Materials

An Auction Participant Training presentation for CA entities is available on the California Air Resources Board (ARB) Auction Information webpage and a similar Auction Participant Training presentation for QC entities is available on the Québec ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques² (MDDELCC) Carbon Market webpage. Each presentation includes information on administrative and regulatory requirements for auction participation, the auction application process, bid guarantee submission, bid submission, settlement price determination, and financial settlement processes for auctions.

Training materials are also available from the Auction Platform, and include a calendar of upcoming activities, Frequently Asked Questions (FAQs), the Auction Participant Training presentation, and an Auction and Reserve Sale User Guide. Training materials are available in English for CA participants and both English and French for QC participants.

Additional Information

Additional information on the California Cap-and-Trade Program and the Québec Cap-and-Trade System is available on the jurisdiction webpages as follows:

California

Cap-and-Trade Program: <http://www.arb.ca.gov/cc/capandtrade/capandtrade.htm>

Auction Information: <http://www.arb.ca.gov/auction>

CITSS Information: <http://www.arb.ca.gov/citss>

For questions regarding the California Cap-and-Trade Program, please contact the California Air Resources Board Cap-and-Trade Hotline at (916) 322-2037.

Québec

Cap-and-Trade System:

<http://www.mddelcc.gouv.qc.ca/changements/carbone/Systeme-plafonnement-droits-GES-en.htm>

Carbon Market Website:

http://www.mddelcc.gouv.qc.ca/changementsclimatiques/marche-carbone_en.asp

² Ministry of Sustainable Development, Environment and the Fight against Climate Change.

Auction Contact Information³

For further information about participation in the November 2016 Joint Auction #9, please contact one of the following:

California Cap-and-Trade Program
Rajmir Rai, California Air Resources Board
Rajmir.Rai@arb.ca.gov
(916) 327-5614

Québec Cap-and-Trade System
Ministère du Développement durable de l'Environnement et de la Lutte contre,
les changements climatiques
spede-bcc@mddelcc.gouv.qc.ca
418 521-3868, poste 7400

³ When contacting jurisdiction staff, please do not use email to transmit personal or confidential information; it is not a secure means of transmission. If it is necessary to transmit personal or confidential information, please contact listed jurisdiction staff for information on how to provide this information securely.