

# **Auction Notice**

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

### **Joint Auction of Greenhouse Gas Allowances**

**On August 15, 2017**  
**Issued on June 16, 2017**

#### **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 August 15, 2017 (Auction Notice), is the official notification for the August 15, 2017, joint greenhouse gas (GHG) allowance auction (August 2017 Joint Auction #12). The August 2017 Joint Auction #12 will offer year 2017 vintage allowances in the Current Auction and year 2020 future vintage allowances in the Advance Auction. In the Auction Platform, the August 2017 Joint Auction #12 is identified by the title Joint Auction/Enchère Liée #12.

Additional background information, detailed instructions, and examples are posted in two supporting documents to provide information for 2017 auction events. The [2017 Detailed Auction Requirements and Instructions](#) document (updated June 16, 2017) 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, auction applicant requirements, submitting a bid guarantee, bidding, and a description of the process to complete auction financial settlement and transfer of allowances.

The [2017 Auction Examples](#) document provides information and examples of how United States (U.S.) and Canadian currencies are managed; how to determine the amount of a bid guarantee; and bid evaluation procedures for purchase limits, holding limits, and bid guarantees.

#### **Notification of Updated Auction Services**

Western Climate Initiative, Incorporated (WCI, Inc.), working with Participating Jurisdictions and contractors, is in the process of updating auction services. An update to the Compliance Instrument Tracking System Service (CITSS) was released on June 9, 2017, and an update to the Markit Auction Platform (Auction Platform) is anticipated near the end of June 2017. Primary updates that impact auction participation beginning with the August 2017 Joint Auction #12 include:

### CITSS 8.0 Updated Auction Services

- Auction and reserve sale (event) applications and notices of intent to bid are submitted in CITSS (event applications and notices of intent to bid can no longer be submitted in the Auction Platform).
- Automated emails related to changes in application status or event application information (i.e., approval of an application or recording of a submitted bid guarantee) are sent to the Primary Account Representative (PAR) and all Alternate Account Representatives (AARs) from CITSS.
- Financial Services Delivery Instructions will be available from CITSS.
- Bidding limitations applicable to an event – bid guarantee amount, holding limits, and purchase limits – are displayed with the participant's event application information in CITSS.

### Auction Platform Updated Auction Services

- Active PARs and AARs with Auction Platform accounts have access to participant reports for all events in which the entity participated, regardless of when the PAR or AAR was designated as such by the entity.
- Bidding limitations applicable to an event – bid guarantee amount, holding limits, and purchase limits – are displayed on the Auction Page in the Auction Platform.

For more information, please refer to the Summary of Updated Auction Services posted on the jurisdiction webpages provided in the Additional Information section at the end of this Auction Notice.

### **Date and Time of Auction**

**The August 2017 Joint Auction #12 is scheduled to take place on August 15, 2017 from 10:00 AM Pacific Time (PT) / 1:00 PM Eastern Time (ET) until 1:00 PM PT / 4:00 PM ET.**

At the time of the release of this notice, the Auction Platform can be accessed at <https://www.wci-auction.org> or from the jurisdictions' and WCI, Inc.'s webpages. Once the update to the Auction Platform is completed, the Auction Platform will be accessible at <https://www.wci-auction.org/ca> or <https://www.wci-auction.org/qc>.

### **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 August 2017 Joint Auction #12 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 remain unsold from an undersubscribed Current Auction and are returned to auction after two consecutive Current Auctions have resulted in a settlement price above the Auction Reserve Price. Additional allowances may also be made available for auction from closed CITSS accounts, allowances submitted for untimely surrender obligations, and the potential return of freely allocated allowances as the result of an enforcement settlement. In each of these situations, the vintages may not be the same as the current calendar year, or the allowances may be an allowance type with no vintage if they were purchased from a jurisdiction’s Reserve Sale.<sup>1</sup>

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

**Table 1: Allowances Offered for Sale**

<b>Auction</b>	<b>Number of Allowances</b>
Current Auction	63,887,833
Advance Auction	9,723,500

**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 2. 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 [2017 Detailed Auction Requirements and Instructions](#) document (updated June 16, 2017).

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<sup>1</sup> Québec Sales by Mutual Agreement are referred to as Reserve Sales for simplicity.

**Table 2: 2017 Annual Auction Reserve Prices**

<b>Auction</b>	<b>CA Annual Auction Reserve Price (USD)</b>	<b>QC Annual Auction Reserve Price (CAD)</b>
Current Auction	13.57	13.56
Advance Auction	13.57	13.56

## **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 – Auction Application Requirements**

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 provide notice of intent to bid in CITSS at least 30 days prior to an auction, otherwise the entity may not participate in that auction.

Auction application requirements are described in further detail in the [2017 Detailed Auction Requirements and Instructions](#) document (updated June 16, 2017).

## Auction Schedule

Table 3 presents the current schedule for activities associated with the August 2017 Joint Auction #12 (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 that have been qualified bidders in past events or that have submitted an event application to an upcoming event.

**Table 3: Auction Schedule**

<b>Activities</b>	<b>Due Date</b>	<b>Time - Pacific Time (PT) / Eastern Time (ET)</b>
Auction Notice released/ Auction application period opens	Friday, June 16, 2017	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 <sup>2</sup>	Thursday, July 6, 2017	
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, July 17, 2017	
Auction application period closes	Monday, July 17, 2017	8:59 PM PT / 11:59 PM ET
All bid guarantees due to Financial Services Administrator	Thursday, August 3, 2017	No later than 3:00 PM PT / 6:00 PM ET
Auction participants approved and PAR and AARs notified	Friday, August 11, 2017	
Auction Exchange Rate and Auction Reserve Price Posted to Auction Platform	Monday, August 14, 2017	
Auction held	Tuesday, August 15, 2017	Bidding window open from 10:00 AM – 1:00 PM PT / 1:00 PM – 4:00 PM ET
Joint Auction Summary Results Report released	Tuesday, August 22, 2017	12:00 PM (Noon) PT / 3:00 PM ET

<sup>2</sup> 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.

<b>Activities</b>	<b>Due Date</b>	<b>Time - Pacific Time (PT) / Eastern Time (ET)</b>
Auction Certified / Auction results available to qualified bidders	Tuesday, August 22, 2017	12:00 PM (Noon) PT / 3:00 PM ET
Financial settlement in cash due to Financial Services Administrator	Tuesday, August 29, 2017	No later than 3:00 PM PT / 6:00 PM ET
Distribution of auction proceeds completed by	Monday, September 11, 2017	
Transfer of allowances into CITSS Accounts	Monday, September 11, 2017	
California and Québec Post Joint Auction Public Proceeds Reports released	Monday, September 11, 2017	
Earliest date for bid guarantee expiration	Monday, September 11, 2017 (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 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 [2017 Detailed Auction Requirements and Instructions](#) document (updated June 16, 2017) with specific examples provided in the [2017 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 [2017 Detailed Auction Requirements and Instructions](#) document

(updated June 16, 2017) with specific examples provided in the [2017 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 climatiques<sup>3</sup> (MDDELCC) Carbon Market webpage. Each presentation includes information on 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 Platform User Guide. Training materials are available in English for CA participants and both English and French for QC participants.

### **Auction Participant Training Webinar**

California and Québec will hold two auction participant training webinar sessions to describe how to apply for an auction in CITSS, as well as how to submit bids in the Auction Platform and how to submit a bid guarantee. The first session will be presented in French by the Carbon market team of the MDDELCC and the second session will be presented in English by ARB's Cap-and-Trade team. Any person interested or considering participating in an auction is invited to participate.

The details for the auction training webinar session are provided below.

#### **Auction Participant Training Webinar #1 (French)**

Date: June 21, 2017

Time: 7:00 AM – 9:00 AM PT / 10:00 AM – 12:00 PM ET

All PARs and AARs of Québec registered entities will receive an invitation to the Webinar. If you are not representing a Québec registered entity but wish to participate in this session, contact MDDELCC's Carbon market team at: [spede-bcc@mddelcc.gouv.qc.ca](mailto:spede-bcc@mddelcc.gouv.qc.ca).

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<sup>3</sup> Ministry of Sustainable Development, Environment and the Fight against Climate Change.

## **Auction Participant Training Webinar #2 (English)**

Date: June 22, 2017

Time: 10:00 AM – 12:00 PM PT / 1:00 PM – 3:00 PM ET

Click here to register: <https://attendee.gotowebinar.com/register/8532152340732780547>

To access the audio portion of the Webinar, please use your phone to dial in as follows:

Webinar Dial-In Number (US and Canada toll free): 1-800-857-4830

Webinar Dial-In Number (toll applies): 1-312-470-0180

Participant Passcode: 3511998#

## **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: <https://www.arb.ca.gov/cc/capandtrade/capandtrade.htm>

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

CITSS Information: <https://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](http://www.mddelcc.gouv.qc.ca/changementsclimatiques/marche-carbone_en.asp)

## **Auction Contact Information**

For further information about participation in the August 2017 Joint Auction #12, please contact one of the following:

California Cap-and-Trade Program

Tobias Muench, California Air Resources Board

[Tobias.Muench@arb.ca.gov](mailto:Tobias.Muench@arb.ca.gov)

(916) 322-3908

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](mailto:spede-bcc@mddelcc.gouv.qc.ca)

418 521-3868, poste 7400