

## **Notice of Sale by Mutual Agreement**

### **Notice of Sale by Mutual Agreement of GHG Emission Units with Respect to Québec's Cap-and-Trade System for GHG Emission Units To Be Held October 3, 2018**

**Published August 3, 2018  
Updated September 21, 2018**

#### **Sale by Mutual Agreement Summary**

This document, Notice of Sale by Mutual Agreement of Greenhouse Gas Emission Units with Respect to Québec's Cap-and-Trade System for Greenhouse Gas Emissions Units to be held on October 3, 2018 (SBMA Notice), is the official notification for the October 3, 2018, greenhouse gas (GHG) emissions units sale by mutual agreement. The October 2018 Sale by Mutual Agreement will offer reserve emission units for sale in three fixed-price, equal-sized categories. In the Auction and Sale by Mutual Agreement Platform (Auction Platform),<sup>1</sup> the October 2018 Sale by Mutual Agreement is identified by the title, "Vente de gré à gré d'octobre 2018."

Additional background information, detailed instructions, and examples are posted in two supporting documents that provide information about the sale by mutual agreement event. The Detailed Sale by Mutual Agreement: Requirements and Instructions document provides background information on the Québec Cap-and-Trade System, as well as detailed requirements and instructions for participating in a sale by mutual agreement, including eligibility, applicant requirements, submission of a bid guarantee, bidding, and a description of the process for completing the financial settlement and transfer of allowances.

The Auction Examples document provides information and examples of how to determine the amount of a bid guarantee and explains the bid evaluation procedures for holding limits and bid guarantees. Both documents are available on the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques<sup>2</sup> (MDDELCC) Carbon Market webpage:

<http://www.mddelcc.gouv.qc.ca/changements/carbone/avis-resultats-en.htm>

---

<sup>1</sup> For simplicity, the Auction and Sale by Mutual Agreement Platform is referred to as the Auction Platform in all notices regarding auctions and sales by mutual agreement.

<sup>2</sup> Ministry of Sustainable Development, Environment and the Fight against Climate Change.

## General Terms Used in the SBMA Notice and Attachments

For the purposes of this SBMA Notice and supporting documents, the following general terms are used to describe systems used and potential sale by mutual agreement participants:

- “Entity” refers to a person, firm, association, organization, partnership, business trust, corporation, limited liability company, company, or government agency.
- “Auction Platform” refers to the electronic platform through which auctions and sales by mutual agreement are conducted.

## Date and Time of Sale by Mutual Agreement

**The October 2018 Sale by Mutual Agreement will be held on October 3, 2018, from 1:00 p.m. to 4:00 p.m. Eastern Daylight Time (EDT).**

The Auction Platform can be accessed at:

Québec: <https://www.wci-auction.org/qc>

## Emissions Units Offered for Sale and Prices

The emissions units offered for sale are delivered through Québec’s cap-and-trade system for GHG emissions units. During a sale by mutual agreement, emissions units are divided equally among three categories (A, B, and C), in which there are no vintages, and their prices are set in accordance with the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances (Québec’s regulation). However, per article 42 of that regulation, categories A, B and C may contain units with a vintage and which come from refunds to the reserve. In any way, those units are from a vintage which can be used to fill in the compliance request for the second period (2015-2017).

The number of emissions units that will be available for sale during the October 2018 Sale by Mutual Agreement is provided in **Table 1**. All offers and associated transactions will be conducted in **Canadian dollars**.

**Table 1 : Emissions Units Offered for Sale and Prices<sup>3</sup>**

Category	Emission units put on sale					Prices
	Vintage 2014	Vintage 2015	Vintage 2016	Reserve	Total Number of Emissions Units	
A	0		0	43,017,384 13 288 034	43,017,384 13 288 034	\$ 53.38
B	0		0	43,017,384 13 288 033	43,017,384 13 288 033	\$ 60.04
C	7,125	17 273	7,166 17 736	43,003,090 11 987 579	43,017,384 12 029 713	\$ 66.71

## Sale by Mutual Agreement Application: Requirements and Instructions

### 1. Eligibility

Only emitters that are registered in the CITSS system in accordance with the Québec Cap-and-Trade System and whose general account does not contain any emission units that can be used to cover GHG emissions for the first compliance period are eligible for a sale of emission units by mutual agreement.

### 2. Sale by Mutual Agreement Application Requirements

Entities submit sale by mutual agreement applications in CITSS. Such entities are required to complete a sale by mutual agreement participant application in CITSS at least 30 days prior to a sale by mutual agreement in which it intends to participate. To do so, they must be registered under a Quebec Cap-and-Trade System and have a Compliance Instrument Tracking System Service (CITSS) General Holding Account that has not been suspended or revoked. CITSS can be accessed at <https://www.wci-citss.org>. Information submitted in the auction application process in CITSS includes the following:

- a) Confirmation of the sale by mutual agreement event in which the participant intends to bid
- b) Information on the form(s) of bid guarantee and return instructions
- c) Completion of an Attestation

Once the information listed above has been entered, sale by mutual agreement applications are confirmed and submitted within CITSS.

Sale by mutual agreement application information also includes the following information that was 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 associated corporate relationships
- c) An allocation of the purchase limit and holding limit among associated entities if applicable

Sale by mutual agreement application requirements are described in further detail in the Detailed Sale by Mutual Agreement: Requirements and Instructions document.

<sup>3</sup> Update made consequently of the adjustment on the free allocation done on September 14, 2018.

## Sale by Mutual Agreement Schedule

**Table 2** presents the current schedule for activities associated with the October 2018 Sale by Mutual Agreement (SBMA Schedule). Any changes to the SBMA Schedule will be communicated through an updated Sale by Mutual Agreement Notice and by email to the Primary Account Representatives (PARs) and Alternate Account Representatives (AARs) of Québec CITSS registered entities.

**Table 2 : Sale by Mutual Agreement Schedule**

Activities	Due Date	Date – Eastern Daylight Time (EDT)
Sale by Mutual Agreement Notice released/Sale by Mutual Agreement application period opens	Friday August 3, 2018	3:00 p.m. EDT
Deadline for entities to make changes in auction application information in CITSS and to submit all hard copy documents accompanying these changes to the government of Quebec	Friday August 24, 2018	
Sale by Mutual Agreement application period closes	Tuesday September 4, 2018	11:59 p.m. EDT
All bid guarantees due to Financial Services Administrator	<del>Thursday</del> <u>Friday</u> September 21, 2018	6:00 p.m. EDT
Sale by Mutual Agreement participants approved and PAR and AARs notified	Friday September 28, 2018	
Sale by Mutual Agreement held	Wednesday October 3, 2018	Bidding window open 1:00 p.m. - 4:00 p.m. EDT
Sale by Mutual Agreement summary results report released	Wednesday October 10, 2018	3:00 p.m. EDT
Sale by Mutual Agreement certified/Sale results available to qualified bidders	Wednesday October 10, 2018	3:00 p.m. EDT
Financial settlement in cash due to Financial Services Administrator	Wednesday October 17, 2018	6:00 p.m. EDT
Earliest date for bid guarantee expiration	Monday October 29, 2018 (26 days after the sale by mutual agreement is held)	
Publication of the public summary of the sale by mutual agreement report	Monday October 29, 2018	

## **Procedures for Conducting the Sale by Mutual Agreement**

Each sale by mutual agreement will be conducted using an electronic, internet-based Auction Platform that bidders use to apply to participate in the sale and submit bids.

As described above, each entity must submit a separate application for each sale by mutual agreement in which it wishes to participate. Financial Services Delivery Instructions will be available from the CITSS, and all final bid guarantees must be received by the Financial Services Administrator no later than the date and time listed in the Sale by Mutual Agreement Schedule. The MDDELCC will approve or decline applicants for a sale by mutual agreement no later than two (2) business days before the scheduled auction date.

Procedures for conducting the sale by mutual agreement are described in further detail in the Detailed Sale by Mutual Agreement: Requirements and Instructions document, with specific examples provided in the Sale by Mutual Agreement Examples document.

## **Form and Manner for Submitting Bids**

Participants will be able to submit bids manually and upload bid schedules using a pre-defined Excel template in the Auction Platform during the Sale by Mutual Agreement bidding window. Bid quantities can only be submitted in multiples of 1,000 allowances, i.e. 1 bid lot equals 1,000 allowances, etc. Bids can be submitted for any of the three categories (A, B or C) during the same scheduled 3-hour bidding window. The form and manner for submitting bids are described in further detail in the Detailed Sale by Mutual Agreement Requirements and Instructions document, with specific examples provided in the Sale by Mutual Agreement Examples document.

## **Notification That the Sale by Mutual Agreement Will Not Be Held**

If there are no qualified applicants or qualified bidders for any scheduled sale by mutual agreement, that sale will not be held. The determination not to hold a sale by mutual agreement can be made by the Minister at three distinct moments: (1) the close of the application period; (2) at the due date for submittal of bid guarantees, or (3) at the deadline for approval of participants. If a sale by mutual agreement will not be held, the Minister will post a notification on its website no later than two (2) days prior to the scheduled sale by mutual agreement.

## **Sale by Mutual Agreement Participant Training Materials**

A sale by mutual agreement participant training presentation for Québec entities is available on the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques (MDDELCC) Carbon Market webpage. The presentation includes information on regulatory requirements for participation in a sale by mutual agreement, the sale by mutual agreement application process, bid guarantee submission,

bid submission, settlement price determination; and financial settlement procedures for sales by mutual agreement.

Training materials are also available on the Auction Platform. These 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 non-Québec Canadian entities and in both English and French for Québec entities.

### **Sale by Mutual Agreement Participant Training Webinar**

Québec will hold a sale by mutual agreement participant training webinar to describe how to apply for a sale by mutual agreement and submit bids on the Auction Platform, as well as how to submit a bid guarantee. The webinar will be presented in French by Québec. Any person interested in or considering participating in a sale by mutual agreement is invited to participate in this training webinar.

Details on the auction training webinar are provided below.

#### **Québec Sale by Mutual Agreement Participant Training Webinar (French)**

Date: August 22, 2018

Time: 10:00 AM ET / 7:00 AM PT

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, please contact the MDDELCC's Carbon Market team at: [spede-bcc@mddelcc.gouv.qc.ca](mailto:spede-bcc@mddelcc.gouv.qc.ca). The phone number to dial to attend the teleconference will be published in the invite which is sent by email.

#### **Further information**

More information on Québec's Cap-and-Trade System for Greenhouse Gas Emissions can be found on the following pages of the Ministry's web site:

Québec's Cap-and-Trade System for Greenhouse Gas Emissions:

[http://www.mddelcc.gouv.qc.ca/changementsclimatiques/marche-carbone\\_en.asp](http://www.mddelcc.gouv.qc.ca/changementsclimatiques/marche-carbone_en.asp)

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

#### **Sale by Mutual Agreement Contact Information**

Further information about participation in the October 2018 Sale by Mutual Agreement is available from:

Quebec's Cap-and-Trade System

Published August 3, 2018 – Update September 21, 2018

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, ext. 7400