

# **Auction Notice**

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

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

#### **On February 21, 2018**

#### **Update on January 10, 2018**

### **Auction Summary**

This document, the *Auction Notice* for the California Cap-and-Trade Program, Québec Cap-and-Trade System, and Ontario Cap-and-Trade Program Joint Auction of Greenhouse Gas Allowances on February 21, 2018 (Auction Notice), is the official notification for the February 21, 2018, joint greenhouse gas (GHG) allowance auction (February 2018 Joint Auction #14). The February 2018 Joint Auction #14 will offer years 2016 and 2018 vintage allowances in the Current Auction and year 2021 future vintage allowances in the Advance Auction. In the Auction Platform, the February 2018 Joint Auction #14 is identified by the title Joint Auction/Enchère Liée #14.

Additional background information, detailed instructions, and examples are posted in two supporting documents to provide information for 2018 auction events. The [Detailed Auction Requirements and Instructions](#) document provides background information on the California Cap-and-Trade Program, Québec Cap-and-Trade System, and Ontario Cap-and-Trade Program, as well as detailed requirements and instructions for participating in a joint auction, including eligibility, auction applicant requirements, submitting a bid guarantee,<sup>1</sup> bidding, and a description of the process to complete auction financial settlement and transfer of allowances.

The [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.

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<sup>1</sup> The term “bid guarantee” will be used throughout this document to refer to “bid guarantee” as described in the California Regulation, to “financial guarantee” as defined in the Québec Regulation, and to “financial assurance” as described in the Ontario Regulation.



## Date and Time of Auction

**The February 2018 Joint Auction #14 is scheduled to take place on February 21, 2018 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:

California: <https://www.wci-auction.org/ca>

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

Ontario: <https://www.wci-auction.org/on>

## Notification of New Regulatory Changes Affecting Auction Services

Amendments have been made to the respective cap-and-trade regulations that govern the cap-and-trade programs of California, Québec, and Ontario. These amendments were made to support linking Ontario with Québec and California. The amendments have updated requirements for disclosures regarding related entities<sup>2</sup> and business relationships.<sup>3</sup> Any entity<sup>4</sup> that wishes to participate in the February 2018 Joint Auction #14 must provide updated information including information on related entities and business relationships no later than 40 days before the joint auction (i.e., January 12, 2018). Information on related entities must include how the holding limits and purchase limits will be shared with other entities registered in either California, Québec, or Ontario with which they are related entities.

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<sup>2</sup> The term “related entities” refers to all entities with a “direct corporate association” that meet at least one of the indicia of control in section 95833(a)(2), (a)(3), or (a)(5) of the California Regulation; or are “related entities” as defined in Article 9 of the Québec Regulation; or are “related persons” that satisfy any of the criteria under section 2(2) of the Ontario Regulation.

<sup>3</sup> The term “business relationships” refers to all entities with an “indirect corporate association” that meet the indicia of control in section 95833(a)(4) of the California Regulation; or are in a “business relationship” as defined in Article 9 of the Québec Regulation; or are known as persons in a “business relationship” under section 2 of the Ontario Regulation.

<sup>4</sup> The term “entity” refers to the companies and individuals registered under the respective cap-and-trade programs of California, Québec and Ontario. Under Québec’s cap-and-trade program, entities are known as emitters and participants. Under Ontario’s cap-and-trade program, entities are known as registered participants which includes mandatory, voluntary, and market participants.

If an entity that is not participating in an auction is a related entity with another entity that wishes to participate in the February 2018 Joint Auction #14, both entities must provide updated information, including information on related entities and business relationships no later than 40 days before the joint auction (i.e., January 12, 2018). This updated information includes how the holding limits and purchase limits will be shared with other entities registered in either California, Québec or Ontario with which they are related entities.

These disclosure requirements (by all related entities) are a condition of participation for all entities that wish to participate in the February 2018 Joint Auction #14.

### **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 February 2018 Joint Auction #14 are issued under the California Cap-and-Trade Program, the Québec Cap-and-Trade System, and the Ontario Cap-and-Trade Program. The number of allowances listed for the Current Auction includes California, Québec, and Ontario allowances and allowances consigned by California electrical distribution utilities and natural gas suppliers (consigning entities) and potentially other parties as described in the California Cap-and-Trade Regulation (California Regulation). In addition, the allowances listed for the Current Auction can include allowances that remain unsold from an undersubscribed Current Auction in prior quarters and are returned to auction after two consecutive Current Auctions have resulted in a settlement price above the Auction Reserve Price.<sup>5</sup> Additional allowances may also be made available arising out of each of the jurisdiction's regulatory provisions, including allowances with earlier vintages than the current calendar year or allowances that have no vintage if they were purchased from a jurisdiction's Reserve

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<sup>5</sup> For specific treatment of unsold allowances in California's program, see the [Guidance on Treatment of Unsold Allowances](#) on the California auction webpage.

sale.<sup>6</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	98,215,920
Advance Auction	12,427,950

For the February 2018 Joint Auction #14, 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 California Regulation, the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances (Québec Regulation), and the Ontario Cap-and-Trade Program Regulation (Ontario Regulation). The number of allowances offered by vintage in the Current Auction conducted in February 2018 are provided in Table 2 below.

**Table 2: Current Auction Allowances Offered for Sale by Vintage**

<b>Vintage Year</b>	<b>Number of Allowances</b>
2016	14,894,520
2018	83,321,400
Total Current Auction Budget	98,215,920

### **Annual Auction Reserve Prices**

The Annual Auction Reserve Prices<sup>7</sup> refer to the minimum prices set and released annually by each jurisdiction in accordance with Section 95911 of the California Regulation, Article 49 of the Québec Regulation, and Section 71(4) and 71(5) of the Ontario Regulation. The respective Annual Auction Reserve Prices for California (CA), Québec (QC), and Ontario (ON) will be used to determine the Auction Reserve Price for each joint auction, the day prior to the joint auction event.

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<sup>6</sup> Québec Sales by Mutual Agreement and Ontario Sales are referred to as Reserve sales for simplicity.

<sup>7</sup> The term “Annual Auction Reserve Price” will be used throughout this document to refer to the “minimum price” as defined in the Québec and Ontario cap-and-trade regulations.

The Annual Auction Reserve Prices for CA, QC, and ON are provided in Table 3. The CA Annual Auction Reserve Price is presented in United States Dollars (USD). The QC and ON Annual Auction Reserve Prices are presented in Canadian Dollars (CAD). The Auction Reserve Price will be determined as the higher of the Annual Auction Reserve Prices established in U.S. and Canadian dollars after applying the established Auction Exchange Rate (USD to CAD FX Rate).

The Auction Exchange Rate (USD to CAD FX Rate) in effect the day of a joint auction and for financial settlement by Qualified Bidders will be determined the business day prior to each joint auction as the most recently available daily average exchange rate<sup>8</sup> for U.S. and Canadian dollars as published by the Bank of Canada, and will be displayed in the Auction Platform.

This Auction Exchange Rate and Auction Reserve Price (USD and CAD FX Rate) are required for joint auction currency management and are described in further detail in the [Detailed Auction Requirements and Instructions](#) document.

**Table 3: 2018 Annual Auction Reserve Prices**

<b>Auction</b>	<b>CA Annual Auction Reserve Price (USD)</b>	<b>QC Annual Auction Reserve Price (CAD)</b>	<b>ON Annual Auction Reserve Price (CAD)</b>
Current Auction	\$14.53	\$14.35	\$14.68
Advance Auction	\$14.53	\$14.35	\$14.68

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<sup>8</sup> This refers to the daily average exchange rate for U.S. and Canadian dollars as published by the Bank of Canada.

# Auction Application Requirements and Instructions

## I - Eligibility

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

An entity applying for approval<sup>9</sup> to participate in an auction must be registered under the California Cap-and-Trade Program, Québec Cap-and-Trade System, or Ontario Cap-and-Trade Program and have a Compliance Instrument Tracking System Service (CITSS) General Holding Account that has not been suspended or revoked.<sup>10</sup>

## II – Auction Application Requirements

Entities submit auction applications in CITSS. CITSS can be accessed at <https://www.wci-citss.org>. An entity is required to complete an auction participant application in CITSS at least 30 days prior to an auction in which it intends to participate. Information submitted in the auction application process in CITSS includes the following:

- a) Confirmation of the auction event in which the participant intends to bid
- b) Information on the form(s) of bid guarantee, currency, and return instructions

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<sup>9</sup> Referred to in Ontario as applying for permission to bid in an auction. The term “approval or rejection to participate in an auction” will be used throughout this document to refer to approval or rejection to participate in an auction as described in the California Regulation and Québec Regulation and obtaining permission or refusal of permission to bid as described in the Ontario Regulation.

<sup>10</sup> The account must not be revoked or suspended in accordance with Sections 95814(a), 95832(f)(4), 95835(c)(2), 95921(g)(3), or 96011 of the California Regulation and Section 46 of the Québec Regulation. A revoked account has a status of “Closed” in CITSS. Additionally, the account must not be subject to conditions imposed by the Director that prohibit participation in auctions or otherwise prevent emission allowances or credits from being transferred to the account in accordance with Section 67 (3) para 3 of the Ontario Regulation.

c) Completion of an Attestation

After entering the information listed above, auction applications are then confirmed and submitted in CITSS.

Auction application information also includes 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

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

## **Auction Schedule**

Table 4 presents the current schedule for activities associated with the February 2018 Joint Auction #14 (Auction Schedule). Any changes to the Auction Schedule will be communicated through an updated Auction Notice and by email to the Primary Account Representative (PAR) and Alternative Account Representatives (AARs) of California, Québec, and Ontario registered entities that have been qualified bidders in past events or that have submitted an event application to an upcoming event.

**Table 4: 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	Thursday, December 21, 2017	12:00 PM (Noon) PT / 3:00 PM ET
Deadline for entities intending to participate in the joint auction to make changes in CITSS and submit all hard copy documents accompanying these changes	Friday, January 12, 2018	
Auction application period closes	Monday, January 22, 2018	8:59 PM PT / 11:59 PM ET
All bid guarantees due to Financial Services Administrator	Friday, February 9, 2018	No later than 3:00 PM PT / 6:00 PM ET
Auction participants approved and PAR and AARs notified	Friday, February 16, 2018	
Auction Exchange Rate and Auction Reserve Price Posted to Auction Platform	Tuesday, February 20, 2018	
Auction held	Wednesday, February 21, 2018	Bidding window open from 10:00 AM – 1:00 PM PT / 1:00 PM – 4:00 PM ET
Joint Auction Summary Results Report released	Wednesday, February 28, 2018	12:00 PM (Noon) PT / 3:00 PM ET
Auction Certified / Auction results available to qualified bidders	Wednesday, February 28, 2018	12:00 PM (Noon) PT / 3:00 PM ET
Financial settlement in cash due to Financial Services Administrator	Wednesday, March 7, 2018	No later than 3:00 PM PT / 6:00 PM ET
Distribution of auction proceeds completion	<del>Wednesday</del> Tuesday, March 20, 2018	
Transfer of allowances into CITSS Accounts	<del>Wednesday</del> Tuesday, March 20, 2018	
California, Québec, and Ontario Post-Joint Auction Public Proceeds Reports released	<del>Wednesday</del> Tuesday, March 20, 2018	



Activities	Due Date	Time - Pacific Time (PT) / Eastern Time (ET)
Earliest date for bid guarantee expiration	Monday, March 19, 2018 (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, or for CA Entities confirm its intent to bid, in an auction in CITSS. Financial Services Delivery Instructions will be available from CITSS, and 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 of the scheduled auction date.

Procedures for conducting the auction are described in further detail in the [Detailed Auction Requirements and Instructions](#) document with specific examples provided in the [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, i.e. 1 bid lot equals 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 [Detailed Auction Requirements and Instructions](#) document with specific examples provided in the [Auction Examples](#) document.

## Auction Participant Training Materials

An Auction Participant Training presentation for CA entities is available on the California Air Resources Board (CARB) Auction Information webpage and a similar Auction Participant Training presentation for QC entities is available on the Québec ministère du Update Issued on January 10, 2018  
(Originally Issued on December 21, 2017)

Développement durable, de l'Environnement et de la Lutte contre les changements climatiques<sup>11</sup> (MDDELCC) Carbon Market webpage. An Auction Participant Training presentation for ON entities is available upon request from the Ontario Ministry of the Environment and Climate Change (MOECC)'s Cap and Trade Help Desk. 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 entities and both English and French for QC and ON entities.

### **Auction Participant Training Webinar**

Jurisdictions will hold auction participant training webinars to describe how to apply for a joint auction and submit bids in the Auction Platform, as well as how to submit a bid guarantee. The webinars will be presented in English by California and Ontario and in French by Québec. Any person interested or considering participating in a joint auction is invited to participate in any of these training webinars.

The details for the auction training webinars are provided below.

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

Date: January 10, 2018

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).

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

Date: January 11, 2018

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

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<sup>11</sup> Ministry of Sustainable Development, Environment and the Fight against Climate Change.

Update Issued on January 10, 2018

(Originally Issued on December 21, 2017)

Click here to register: <https://attendee.gotowebinar.com/register/7348872224662602243>

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): 1-888-469-3142

Webinar Dial-In Number (toll applies): 1-517-308-9193

Participant Passcode: 7177045#

### **Ontario Auction Participant Training Webinar #3 (English)**

Date: January 16, 2018

Time: 6:00 AM – 9:00 AM PT / 9:00 AM – 12:00 PM ET

All PARs and AARs of registered entities in each jurisdiction will receive an invitation to the webinar to be hosted by that jurisdiction.

### **Additional Information**

Additional information on the California Cap-and-Trade Program, the Québec Cap-and-Trade System, and the Ontario Cap-and-Trade Program 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)

#### **Ontario**

Cap and Trade Program: <https://www.ontario.ca/page/cap-and-trade>

Auction Information: <https://www.ontario.ca/page/cap-and-trade-auction-allowances>

CITSS Registration Information: <https://www.ontario.ca/page/cap-and-trade-register-and-participate-citss>

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**Auction Contact Information**

For further information about participation in the February 2018 Joint Auction #14, 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

**Ontario Cap and Trade Program Help Desk**

Hours: 8:30 AM to 5:00 PM ET

E-mail: [CThep@Ontario.ca](mailto:CThep@Ontario.ca)

Phone: 1 (888) 217-3326 (toll-free)