



Air Resources Board



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2014 Annual Auction Reserve Price Notice California Cap-and-Trade Program Greenhouse Gas Allowance Auctions Issued on December 2, 2013

Auction Summary

This document, *2014 Annual Auction Reserve Price Notice*, specifies the 2014 Auction Reserve Price, the number of allowances to be auctioned in 2014 for the quarterly auctions as part of the Current Auction and Advance Auction, and the prices for each tier of the 2014 Allowance Price Containment Reserve sales (Reserve Sales). The 2014 quarterly GHG allowance auctions will offer 2014 vintage allowances and 2017 vintage allowances for sale.

The 2014 Auction Reserve Price and the annual budget of 2014 and 2017 vintage allowances for sale in 2014 is shown in Table 1 below.

Table 1: 2014 Auction Data

Auction Data Description	Auction Data
Auction Reserve Price	\$11.34
Number of allowances to be auctioned in 2014 (2014 Vintage)	80,980,578
Number of advance allowances to be auctioned in 2014 (2017 Vintage)	37,040,000

The Auction Reserve Price

The Auction Reserve Price is a predetermined minimum price at which allowances will be sold to auction participants. The 2013 Auction Reserve Price was \$10.71. Section 95911 of the Cap-and-Trade Regulation stipulates that the "Auction Reserve Price in U.S. dollars shall be the U.S. dollar Auction Reserve Price for the previous calendar year increased annually by 5 percent plus the rate of inflation as measured by the most recently available twelve months of the Consumer Price Index for All Urban Consumers." The rate of inflation used to calculate the 2014 Auction Reserve Price is 0.936 percent.

Current Auction Budget

The current auction budget describes the minimum number of current year vintage allowances to be sold in 2014. This number includes the State-owned allowances (approximately

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8.8 million) and the allowances to be consigned by the electricity distribution utilities (72,155,608). Twenty-five percent of the State-owned allowances will be available at each auction. Utilities are required to notify ARB 75 days before each auction of the number of allowances they intend to consign. The total number of allowances to be auctioned in each auction will be published in the auction notice 60 days in advance. Utility allowances not consigned in the first three auctions in 2014 will be included in the November 19, 2014, auction.

Advance Auction Budget

The advance auction budget represents ten percent of the allowances from the budget year three years subsequent to the current calendar year. Since the annual allowance budget of 2017 is 370,400,000, the advance auction budget for 2014 is 37,040,000. These allowances will be equally divided for sale across the four auctions in 2014.

2014 Quarterly Auction Dates

An *Auction Notice* with instructions on how to participate will be published 60 days prior to each auction. The *Auction Notice* provides information about eligibility, auction format, and GHG allowances to be auctioned for the applicable quarterly auction.

Table 2 provides additional information specific to the scheduled quarterly auctions.

Table 2: 2014 Quarterly Auction Critical Dates

Auction Consignment Due Date for EDUs	Auction Notice Posting Date	Auction Application Due Date	Auction Dates
12/6/2013	12/20/2013	1/21/2014	2/19/2014
3/3/2014	3/17/2014	4/16/2014	5/16/2014
6/4/2014	6/19/2014	7/18/2014	8/18/2014
9/5/2014	9/19/2014	10/20/2014	11/19/2014

Reserve Sale Summary

As documented in the Cap-and-Trade Regulation, California’s reserve sales will offer GHG allowances from the Allowance Price Containment Reserve (APCR) for sale in three fixed-price, equal-sized tiers. The Reserve Sales are scheduled approximately 6 weeks after each quarterly GHG allowance auction. Four reserve sales were scheduled in 2013. To date, no reserve sales have been held in 2013 as there have been no qualified applicants. The fourth reserve sale is scheduled for December 31, 2013.

The number of APCR allowances potentially available during 2014 and the tier prices are provided in Table 3 below. The total allowances available are subject to change based on the results of the reserve sale scheduled for December 31, 2013.

Table 3: APCR Allowances Offered in 2014 and Tier Prices

Sale	Number of APCR Allowances
Tier 1 - \$42.38 per allowance	40,611,000
Tier 2 - \$47.68 per allowance	40,611,000
Tier 3 - \$52.98 per allowance	40,611,000

Contact Information

For further information about participation in the 2014 auctions or reserve sales, please contact:
Mr. Chuck Seidler at (916) 324-093, or cseidler@arb.ca.gov.