



# Air Resources Board



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## **Reserve Sale Notice** **California Cap-and-Trade Program** **Sale of Greenhouse Gas Allowances from the** **Allowance Price Containment Reserve** **on December 31, 2014** **Issued on December 1, 2014**

### **Reserve Sale Summary**

This document, Reserve Sale Notice for the California Cap-and-Trade Program Sale of Greenhouse Gas Allowances from the Allowance Price Containment Reserve on December 31, 2014 (Reserve Sale Notice), is the official notification for the December 31, 2014, greenhouse gas (GHG) allowance reserve sale (December 2014 reserve sale). The December 2014 reserve sale will offer allowances from the Allowance Price Containment Reserve (APCR) for sale in three fixed-price, equal-sized tiers. In the Auction and Reserve Sale Platform (Auction Platform)<sup>1</sup>, the December 2014 reserve sale is identified by the title December 2014 Reserve Sale 8.

**The December 2014 reserve sale is scheduled to take place from 10:00 AM Pacific Time (PT) until 1:00 PM PT. This Reserve Sale Notice provides information about eligibility, reserve sale format, and APCR allowances offered for sale.**

### **APCR Allowances Offered in the December 2014 Reserve Sale**

The number of APCR allowances that will be available for sale during the December 2014 reserve sale is provided in Table 1.

**Table 1: APCR Allowances Offered in the December 2014 Reserve Sale**

<b>Sale</b>	<b>Number of APCR Allowances</b>
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

<sup>1</sup> For simplicity, the Auction and Reserve Sale Platform is referred to as the Auction Platform in all notices regarding auctions and reserve sales.

*The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption. For a list of simple ways you can reduce demand and cut your energy costs, see our website: <http://www.arb.ca.gov>.*

Attachment A to this Reserve Sale Notice includes the detailed requirements and instructions for participating in a reserve sale. Attachment B to this Reserve Sale Notice provides information and examples of how to determine the amount of a bid guarantee, how holding limits are applied, and examples of how reserve sales are settled. Attachment A and Attachment B are available from the ARB Auction Information webpage at [www.arb.ca.gov/auction](http://www.arb.ca.gov/auction).

**General Terms Used in Reserve Sale Notice and Attachments**

For the purpose of this Reserve Sale Notice and attachments, the following general terms are used to describe systems used and potential reserve sale participants:

- “Auction Platform” refers to the electronic platform through which auctions and reserve sales are conducted, which can be accessed at <https://www.wci-auction.org>.
- “Entity” refers to all entities registered under the California Cap-and-Trade Program as covered entities or opt-in covered entities.

**I. Reserve Sale Eligibility**

California covered entities and opt-in covered entities are eligible to participate in the December 2014 reserve sale.

**II. Reserve Sale Schedule**

Table 2 presents the current schedule for activities associated with the December 2014 reserve sale (Reserve Sale Schedule). Any changes to the Reserve Sale Schedule will be communicated through an updated Reserve Sale Notice and by email to the Primary Account Representatives (PARs) and Alternate Account Representatives (AARs) of California Compliance Instrument Tracking System Service (CITSS) registered covered entities and opt-in covered entities who have indicated an interest in participating in auctions or reserve sales by selecting the “Auction Participation” box in CITSS.

**Table 2: Reserve Sale Schedule**

<b>Activities</b>	<b>Due Date</b>	<b>Time - Pacific Time (PT)</b>
Reserve Sale Notice released/ Reserve sale application period opens	Monday, December 1, 2014	12:00 PM (Noon) PT
Deadline for entities to make changes in auction application information listed in Section 95912(d)(4) and submit all hard copy documents accompanying these changes.	Thursday, December 11, 2014	11:59 PM PT

<b>Activities</b>	<b>Due Date</b>	<b>Time - Pacific Time (PT)</b>
Reserve sale application period closes	Thursday, December 11, 2014	11:59 PM PT
All bid guarantees due to Financial Services Administrator	Friday, December 19, 2014	No later than 2:00 PM PT
Reserve sale participants approved and PAR and AARs notified	Monday, December 29, 2014	No later than 5:00 PM PT
Reserve sale held	Wednesday, December 31, 2014	Bidding window open 10:00 AM – 1:00 PM PT
Public notice of reserve sale results released	Tuesday, January 6, 2015	12:00 PM (Noon) PT
Notification of availability of reserve sale results sent to qualified bidders	Tuesday, January 6, 2015	12:00 PM (Noon) PT
Financial settlement in cash due to Financial Services Administrator	Tuesday, January 13, 2015	No later than 2:00 PM PT
Transfer of APCR allowances into CITSS Accounts	Thursday, January 22, 2015	12:00 PM (Noon) PT
Earliest date for bid guarantee expiration	Monday, January 26, 2015	

### **III. Administrative Requirements to Participate in a Reserve Sale**

Administrative requirements to participate in a reserve sale are outlined below.

#### **A. Compliance Instrument Tracking System Service (CITSS) Account**

An entity must have an approved account in CITSS before applying to participate in a reserve sale. Additionally, individuals must be approved as either the PAR or an AAR on the entity's account in order to submit an application for the entity, and/or bid on behalf of the entity. Potential applicants' CITSS accounts must accurately reflect all required registration information, including a report of corporate associations.

#### Select the "Auction Participation" box in CITSS

Additionally, to participate in a reserve sale, the PAR or an AAR must select the "Auction Participation" box in CITSS to allow CITSS account information to be transferred to the Auction and Reserve Sale Administrator (Auction Administrator)<sup>2</sup> and

<sup>2</sup> For simplicity, the Auction and Reserve Sale Administrator is referred to as the Auction Administrator in all notices regarding auctions and reserve sales.

Financial Services Administrator. Additional information about administrative requirements and reserve sale participation is provided in Attachment A of this Reserve Sale Notice, available from the ARB Auction Information webpage.

***NOTE: The box in CITSS which is selected to indicate participation in either an upcoming auction or reserve sale is labeled “Auction Participation” box.***

### **B. Entity Account Representatives Auction Platform Account**

All entity account representatives must have an active Auction Platform account to be able to act on behalf of the entity in a reserve sale. Only those representatives with an active Auction Platform account will be able to access the Auction Platform to submit an application for the entity, submit bids on behalf of the entity during an open bidding window, or download reports specific to the reserve sale.

#### Auction Platform Account Activation

During the application period for each reserve sale, an entity’s and its representatives’ information is transferred to the Auction Administrator for entities that have selected the “Auction Participation” box in CITSS. Representatives that have not previously been indicated as a PAR or AAR on any CITSS account with the “Auction Participation” box selected are sent an email inviting them to activate their Auction Platform account. If a representative does not create an Auction Platform account before the new user activation link expires, the representative will need to contact the Auction Administrator to send a new link. However, if an individual has previously activated his or her Auction Platform account, that individual will be able to access the Auction Platform using the established credentials.

### **Procedures for Conducting the Reserve Sale**

Each quarterly reserve sale will be conducted using an electronic, internet-based Auction Platform that bidders use to apply to participate in a reserve sale and submit bids.

Bid quantities can only be submitted in multiples of 1,000 APCR allowances. Bids must be submitted in one of the three tiers, each has a set tier price. Bid schedules that include bids for APCR allowances from more than one tier will be allowed.

Sales from each tier will be conducted in succession, beginning with the lowest-priced tier and proceeding to the highest-priced tier, until either all available APCR allowances are sold or all the accepted bids are filled.

Examples of how reserve sales are settled are provided in Attachment B of this Reserve Sale Notice, available from the ARB Auction Information webpage.

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

The December 2014 reserve sale includes the opening of the 3-hour bidding window in the Auction Platform at 10:00 AM PT and the closing of the window at 1:00 PM PT on December 31, 2014. Participants will be able to submit bids manually and upload bid schedules in a pre-defined Excel template in the Auction Platform during the 3-hour bidding window. Additional information on submitting bids is included in Attachment A of this Reserve Sale Notice.

### **Notification of No Qualified Applicants**

If there are no qualified applicants or qualified bidders for any scheduled reserve sale, that reserve sale will not be held. The determination not to hold a reserve sale can be made by ARB at the close of the application period, at the due date for submittal of bid guarantees, or at the deadline for ARB approval of participants which is scheduled to occur two (2) days prior to each reserve sale. If a reserve sale will not be held, ARB will post a notification on the ARB Auction Information webpage no later than two (2) days prior to the scheduled reserve sale.

### **Reserve Sale Participant Training Materials**

Reserve sale participant training materials are available on the ARB Auction Information webpage including descriptions of the following:

- reserve sale format, application process, procedures, and requirements,
- how to apply for a reserve sale and submit bids in the Auction Platform, and
- how to submit a bid guarantee.

### **Financial Settlement**

Entities will complete the financial settlement process with the Financial Services Administrator for all APCR allowances purchased in a reserve sale once the reserve sale is certified. Financial settlement must be completed in cash.

The Auction Administrator will notify each qualified bidder of the availability of the entity's reserve sale results. For those entities that submitted cash bid guarantees, the Financial Services Administrator will apply the cash submitted to settle for any amounts owed. For entities that submitted physical bid guarantees (Letter of Credit or bond), the entity must complete financial settlement in cash within seven (7) days of notification of the availability of the entity's reserve sale results. The deadline for receiving payment by wire transfer is listed in the Reserve Sale Schedule.

The Financial Services Administrator will draw down the physical bid guarantee

submitted to cover payment for APCR allowances purchased by any entity that fails to make cash payment within seven (7) days.

**Contact Information**

For further information about participation in the December 2014 reserve sale, please contact one of the following individuals:

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