

California Cap-and-Trade Program November 2016 Joint Auction #9

California Post Joint Auction Public Proceeds Report

Background

The California Air Resources Board (ARB) and Québec's ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques¹ (MDDELCC) held the ninth joint auction of greenhouse gas (GHG) allowances on November 15, 2016. The auction included a Current Auction of 2015 and 2016 vintage allowances and an Advance Auction of 2019 vintage allowances. ARB and MDDELCC approved the results of the auction, and issued a Joint Auction Summary Results Report on November 22, 2016. This California Post Joint Auction Public Proceeds Report provides information regarding proceeds to the State of California from the sale of allowances in the Current Auction and Advance Auction, as described in the Joint Auction Summary Results Report. The information provided in this report provides program transparency while also maintaining the confidentiality of individual auction participants' market positions.

The Joint Auction Summary Results Report did not include the auction proceeds because of the need to complete the currency exchange required to determine final proceeds payments in a joint auction. Winning bids were submitted in one of two currencies – United States dollars (USD) or Canadian dollars (CAD). When the financial services administrator distributes proceeds to the jurisdictions, California must receive auction proceeds only in USD and Québec must receive auction proceeds only in CAD. Consequently, after receiving payment from all winning bidders, and based on instructions from California and Québec, the financial services administrator exchanged an amount of currency at prevailing market rates prior to transferring the auction proceeds to the jurisdictions. The total amount of auction proceeds received by California and by Québec from the sale of state- and province-owned allowances reflects the exchange rates available prior to the time of distribution of auction proceeds, to the extent that currency had to be exchanged prior to this distribution. The average effective exchange rate to complete the currency exchange required for final distribution of auction proceeds for this auction was 1.3441 CAD to one USD.²

As indicated in the Joint Auction Summary Results Report, and as provided for in the California Cap-and-Trade Regulation, sellers who consigned allowances in this auction are paid the auction settlement price in USD for every consigned allowance sold.

Auction proceeds resulting from the sale of California-owned allowances and consigned allowances in the November 15, 2016 Joint Auction #9 are shown on the following page.

¹ Ministry of Sustainable Development, Environment and the Fight against Climate Change.

² Currency exchange occurred over the time period of November 22 to November 29, 2016. The average effective exchange rate used for this conversion reflects the average of the exchange rates provided by the financial services administrator and accepted by the jurisdictions to conduct the exchanges.

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California Proceeds Statistics

Auction Settlement Price (Current Auction):	\$12.73 USD
Auction Settlement Price (Advance Auction):	\$12.73 USD
Auction Exchange Rate (USD to CAD):	1.3582
Average Effective Exchange Rate Used for Determining Jurisdiction Proceeds	1.3441

Summary Metric	Current Auction			Advance Auction
	2015 Vintage	2016 Vintage	Current Total	2019 Vintage
Total Allowances Available for Sale			87,069,495	10,078,750
CA Entity Consignment		40,254,802	40,254,802	
ARB	827,375	35,870,364	36,697,739	8,657,500
MDDELCC		10,116,954	10,116,954	1,421,250
Total Allowances Sold at Auction			76,960,000	1,020,000
CA Entity Consignment		40,254,802	40,254,802	
ARB	827,375	26,935,532	27,762,907	876,165
MDDELCC		8,942,291	8,942,291	143,835
Total Qualified Bids Divided by Total Allowances Available for Sale			0.88	0.10

Of the total current auction CA Entity Consignment allowances sold 31,601,991 allowances were from Investor Owned Utilities (IOUs) and 8,652,811 allowances were from Publicly Owned Utilities (POUs). Per the California Cap-and-Trade Regulation, sellers who consigned allowances in this auction are paid at the auction settlement price (Current Auction) for every consigned allowance sold. This resulted in proceeds to the IOUs of \$402,293,345.43 USD and proceeds to the POUs of \$110,150,284.03 USD. Québec entities do not consign any allowances.

Total California Auction Proceeds To Date

The total amount of auction proceeds to date that have been deposited into the California Greenhouse Gas Reduction Fund (GGRF) pursuant to California Government Code section 16428.8 are shown in the table below. Proceeds are shown by quarter for Fiscal Year (FY) 2016-2017, and by fiscal year for previous fiscal years.³

<u>Auction Quarter or Fiscal Year</u>	<u>Total Proceeds for Current and Advance Auctions in GGRF (USD)</u>
Q4 2016 (November)	\$364,310,762.53
Q3 2016 (August)	\$8,387,909.54
FY 2015-2016	\$1,829,134,502.71
FY 2014-2015	\$1,490,776,416.79
FY 2013-2014	\$477,140,441.20
FY 2012-2013	\$257,264,031.64
TOTAL	\$4,427,014,064.41

³ The jurisdiction proceeds for Q4 2016 contained in this report reflect any currency conversion at the average effective exchange rate used to determine jurisdiction proceeds.

Explanatory Notes:

Auction Settlement Price (Current Auction): The allowance price that resulted from the auction of allowances in the Current Auction, in USD per metric ton based on the auction exchange rate in effect the day of the auction. This statistic was shown in the Joint Auction Summary Results Report as “Settlement Price” for the Current Auction.

Auction Settlement Price (Advance Auction): The allowance price that resulted from the auction of allowances in the Advance Auction, in USD per metric ton based on the auction exchange rate in effect the day of the auction. This statistic was shown in the Joint Auction Summary Results Report as “Settlement Price” for the Advance Auction.

Auction Exchange Rate (USD to CAD): The most recently available noon daily buying rate for USD and CAD as published by the Bank of Canada the day before the auction.

Average Effective Exchange Rate Used for Determining Jurisdiction Proceeds: The average effective exchange rate used for conducting any necessary currency conversion prior to determining final auction proceeds for the jurisdictions. This reflects the average of the exchange rates provided by the financial services administrator and accepted by the jurisdictions to conduct the exchanges.

Total Allowances Available for Sale: Total allowances available for purchase in the Current Auction and Advance Auction in metric tons, including allowances consigned by consigning entities and allowances sold by the State of California and the Province of Québec.

Total Allowances Sold at Auction: Total allowances purchased in the Current Auction and Advance Auction in metric tons.