

# California - Québec Practice Auction Update

Issued on June 30, 2014

## Background

On January 1, 2014, the California Cap-and-Trade Program and Québec Cap-and-Trade System officially linked, enabling the mutual acceptance of compliance instruments issued by each jurisdiction, and for the jurisdictions to hold joint auctions of greenhouse gas (GHG) allowances. As part of California's Cap-and-Trade Program and the Québec Cap-and-Trade System, the California Air Resources Board (ARB) and Québec's ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques (Ministry of Sustainable Development, Environment and the Fight against Climate Change) (MDDELCC) will hold joint GHG allowance auctions to allow market participants to acquire GHG allowances. On June 3, 2014, ARB and MDDELCC announced plans to conduct a practice auction for the California Cap-and-Trade Program and the Québec Cap-and-Trade System (CA-QC Practice Auction). A successful CA-QC Practice Auction will pave the way to holding the first joint auction of GHG allowances by the two programs in November 2014. Auction notices are posted to the jurisdiction websites 60 days prior to each auction, as called for in the California Cap-and-Trade Program Regulation (California Regulation) and the Government of Québec Regulation respecting a cap-and-trade system for greenhouse gas emission allowances (Québec Regulation).

## Purpose

This document, "California- Québec Practice Auction Update", serves to remind participants of the upcoming CA-QC Practice Auction and to help them prepare to participate. The Notice for the CA-QC Practice Auction will be posted on Tuesday, July 29, 2014, and the CA-QC Practice Auction application period will open in the Auction Platform. The CA-QC Practice Auction will be titled "CA-QC Practice Auction/Enchère Pratique" in the Auction Platform.

During the CA-QC Practice Auction, participants will test the updated Auction Platform and become familiar with the new features that support a joint auction, including the ability for Québec participants to choose to participate with Canadian or U.S. currency. Following the CA-QC Practice Auction, ARB and MDDELCC will confirm that systems and procedures worked properly and conduct a survey of participants' experience.

### CA-QC Practice Auction Conduct

The CA-QC Practice Auction is occurring during the CA August 2014 auction period and the QC August 2014 auction period. The jurisdictions and the independent market monitor for both jurisdictions will be monitoring the activity of the CA-QC Practice Auction as in any other auction. ***Practice auction participants are reminded that it is a violation of the California Regulation and Québec Regulation to disclose information regarding bidding strategies. CA-QC Practice Auction participants are advised to maintain their bidding strategy as confidential, as they would for any real auction.***

### CA-QC Practice Auction Schedule

The anticipated schedule of major CA-QC Practice Auction activities is provided below. This schedule is subject to change. The final schedule of CA-QC Practice Auction activities will be provided in the CA-QC Practice Auction Notice, which will be available on Tuesday, July 29, 2014.

Activity	Date	Time (Pacific/Eastern)
CA-QC Practice Auction Participant Training Webinars (Two webinars will be conducted, one in French and one in English)	#1 French version Tuesday, July 22, 2014	#1 French version 10:00 AM ET – 12:00 PM ET/ 7:00 AM PT – 9:00 AM PT
	#2 English version Tuesday, July 22, 2014	#2 English version 1:00 PM PT – 3:00 PM PT/ 4:00 PM ET – 6:00 PM ET
Release CA-QC Practice Auction Notice Open Application Window in Auction Platform	Tuesday, July 29, 2014	10:00 AM PT / 1:00 PM ET NOTE: The time for opening of the application period is different from an actual auction.
CA-QC Practice Auction Application Window Closes in the Auction Platform	Thursday, July 31, 2014	6:00 PM PT / 9:00 PM ET NOTE: The deadline time for closing of application period is different from an actual auction.
CA-QC Practice Auction Held	Thursday, August 7, 2014	Bidding window open from 10:00 AM PT – 1:00 PM PT/ 1:00 PM ET – 4:00 PM ET

### CA-QC Practice Auction Eligibility

All entities eligible to participate in an auction under the California Cap-and-Trade Program or Québec Cap-and-Trade System that have selected the “Auction Participation” box in the Compliance Instrument Tracking System Service (CITSS) are eligible to participate in the CA-QC Practice Auction. Additional information on selecting the “Auction Participation” box in CITSS is provided in the Participation Process section of this document.

All parties are welcome to attend the participant training webinars that will be conducted prior to the opening of the application period for the CA-QC Practice Auction. The content of these webinars is specific to the CA-QC Practice Auction. The dates and times of both the French and English versions of the webinar are listed in the Practice Auction Schedule above.

### **CA-QC Practice Auction Participation Process**

California and Québec entities with active CITSS accounts that have selected the “Auction Participation” box in CITSS are eligible to participate in the CA-QC Practice Auction. To participate in the CA-QC Practice Auction, the Primary Account Representative (PAR) or an Alternate Account Representative (AAR) must select or have previously selected the “Auction Participation” box in CITSS to allow CITSS account information to be transferred to the Auction and Reserve Sale Administrator (Auction Administrator) and Financial Services Administrator. To ensure that the PAR and AAR(s) have continued access to the Auction Platform to participate in the CA-QC Practice Auction, the “Auction Participation” box must remain selected in CITSS until the CA-QC Practice Auction has closed.

Because the CA-QC Practice Auction will occur during the same timeframe as the August 2014 California auction and the Québec 2014 August auction, it is critical that entities wishing to participate in either the August 2014 jurisdiction-specific auctions or the CA-QC Practice Auction select or maintain the selection of the “Auction Participation” box in CITSS or they will not be able to participate in either the jurisdiction-specific August 2014 auctions or the CA-QC Practice Auction. By selecting the “Auction Participation” box in CITSS, an entity is only expressing interest in participating and is not required to participate in any auctions or reserve sales.

The practice auction participation process will include the actions of applying to participate through the Auction Platform and submitting bids during the open bidding window. Participants will receive pre-auction emails from the Auction Platform indicating receipt of the application, confirmation of a financial services account being established, and receipt of the bid guarantee. The financial services account number that will be listed in the Financial Services Delivery Instructions provided in the Auction Platform is a “dummy” account number to demonstrate the Practice Auction process only. No actual bid guarantees will be submitted to the Financial Services Administrator. Bid guarantee amounts, purchase limits, and holding limits will be set by the jurisdictions. Public summary results reports and entity-specific results will not be published and no allowances will be awarded during the CA-QC Practice Auction. Further details regarding the steps required to participate in the CA-QC Practice Auction

will be provided in the CA-QC Practice Auction Notice and the participant training webinars. The CA-QC Practice Auction Notice, including a final schedule of activities, will be posted on the ARB and MDDELCC websites, and will include further information about auction format, allowance budget, and the practice auction process.

### Contact Information

For further information about participation in the CA-QC Practice Auction, please contact one of the following:

California Cap-and-Trade Program:

Ms. Ashley Dunn,  
California Air Resources Board  
[adunn@arb.ca.gov](mailto:adunn@arb.ca.gov)  
(916) 322-7156

Mr. Chuck Seidler,  
California Air Resources Board  
[cseidler@arb.ca.gov](mailto:cseidler@arb.ca.gov)  
(916) 324-0931

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) 521-3860; or 1-800-561-1616 option #5