

Updated December 1, 2017

California Cap-and-Trade Program

Facts About **Holding Limit for Linked Cap-and-Trade Programs**

The Cap-and-Trade Program currently operated by California and Québec will link with Ontario's Cap-and-Trade Program on January 1, 2018. This fact sheet provides information on the holding limits for the Linked Cap-and-Trade Programs.

Background

The holding limit is the maximum number of allowances that an entity or a group of entities with a direct corporate association may hold at one time. The holding limit applies separately to holdings of “current vintage” and “future vintage” allowances. Current vintage allowances have a vintage year corresponding to the current or previous calendar years, or are allowances purchased from the Allowance Price Containment Reserve (APCR). Future vintage allowances have a vintage year later than the current calendar year. The current vintage holding limit applies to all current vintage allowances as one group. Thus, in 2017 the current vintage holding limit covers an entity's holdings of 2013 through 2017 vintage allowances. However, the future vintage holding limit applies separately to each future vintage. For example, in 2018 there would be a separate limit for holdings of 2019, 2020, and 2021 vintage allowances.

This factsheet explains how the California Air Resources Board (CARB) calculated the holding limits for 2017 through 2020 based on the annual allowance budgets of the linked programs.

Holding Limit Calculation

Section 95920(e) of the California Cap-and-Trade Regulation contains the holding limit formula:

$$\text{Holding Limit} = 0.1 * \text{Base} + 0.025 * (\text{Annual Allowance Budget} - \text{Base})$$

In which:

“Base” equals 25 million metric tons of CO₂e, and

“Annual Allowance Budget” is the total number of allowances issued for the budget year in the linked programs.

The Québec and Ontario regulations contain the same holding limit formula. When the three programs link on January 1, 2018, the market participants from all three jurisdictions will be required to comply with the same holding limit based on the

combined annual allowance budget of the three programs. Table 1 contains the annual budgets of the three programs, as well as the value of the budgets for the linked programs. (Note that the 2017 linked program value only includes California and Québec, so the table does not include a 2017 value for the Ontario budget, even though Ontario operated a program in 2017.)

Table 1: California, Québec, Ontario and Linked Program Annual Allowance Budgets

<i>Year</i>	<i>California Budget</i>	<i>Québec Budget</i>	<i>Ontario Budget</i>	<i>Combined Linked Program Annual Budget</i>
(Million Allowances or Emissions Units)				
2017	370.40	61.08		431.480
2018	358.30	58.96	136.440	553.700
2019	346.30	56.85	130.556	533.706
2020	334.20	54.74	124.668	513.608
2021	320.80	55.26	121.058	497.118

Table 2 contains the holding limits that will apply to all registered entities in the linked programs. For example, in 2017, each registered entity or direct corporate association of multiple registered entities may hold up to approximately 12.66 million allowances of vintage 2017 and earlier. In 2018, the current vintage holding limit will apply to 2018 vintage allowances and earlier, so the new limit will be approximately 15.72 million allowances. Note that the holding limit increases in 2018 over 2017 because the annual allowance budget in the formula will include allowances issued by Ontario when that province joins the linked market.

Table 2: 2017 through 2020 Holding Limit in the Linked Program

<i>Year</i>	<i>Holding Limit</i>
(Million Allowances or Emissions Units)	
2017	12,662,000
2018	15,717,500
2019	15,217,650
2020	14,715,200
2021	14,302,950

Entities may purchase at auction allowances issued for future budget years. The holding limits in Table 2 apply separately to each future vintage. For example, in 2018 an entity may hold up to 15,217,650 vintage 2019 allowances.

Contact Information

For further information about the holding limit calculations, please contact:

Derek Nixon at Derek.Nixon@arb.ca.gov, (916) 324-0340, or
 Brian Covi at Brian.Covi@arb.ca.gov, (916) 445-4379