

FACTS ABOUT

The Linked Cap-and-Trade Programs

California's Cap-and-Trade Program will link with Québec's Cap-and-Trade System on January 1, 2014. This fact sheet provides information on the impacts of linkage.

Will any changes occur to California and Québec allowances issued prior to January 1, 2014?

All allowances issued by the California and Québec programs prior to linkage will be recognized by both programs. Each California allowance and Québec emission unit (both called allowances here for simplicity) represents one metric ton of carbon dioxide equivalent and can be used for compliance in either program. Linkage will not change the amount of allowances in the accounts of any entity in either California or Québec.

Will there be a difference between California and Québec allowances after linkage?

No. The allowances issued by California and Québec both prior to and after linkage will be indistinguishable from one another. All allowances can be used for compliance interchangeably across jurisdictions.

Can an entity registered in one jurisdiction participate in an unlinked auction held in another jurisdiction?

No. While linkage occurs on January 1, 2014, the first auction jointly held by the California and Québec Cap-and-Trade Programs will be held later in 2014. Prior to the first joint auction, California and Québec will continue to hold individual auctions with participation restricted to entities registered in the jurisdiction holding the auction. Prior to the first joint auction, a California entity may purchase (and use for compliance) Québec compliance instruments (and vice versa) on the secondary market.

Can an entity in one jurisdiction buy allowances issued in another jurisdiction?

Yes. As of January 1, 2014, an entity in one jurisdiction will be able to purchase allowances issued in a linked jurisdiction on the secondary market, for example through bilateral transactions. As of January 2, 2014, an entity in one jurisdiction will also be able to transfer instruments to an entity in another jurisdiction in the Compliance Instrument Tracking System Service (CITSS). However, entities will not be able to purchase at auction allowances issued in another jurisdiction until joint auctions are held.

Can an entity register in both California and Québec?

The only entities that can register in both the California and Québec programs are those that are covered by both programs. However, a single entity being covered by both programs is rare. Consequently, most entities will only be allowed to register with one program (i.e., a Québec covered entity may only register with Québec and a California covered entity may only register with California). Voluntarily associated entities (VAE) may only be registered in one program, and should register in their country of incorporation. To register with the California program, a VAE must be located in the United States. To register with the Québec program, a VAE must be located in Canada. An entity that is covered by one program cannot register as a VAE in the other program.

Can an entity have a corporate association with an entity in another jurisdiction?

Yes. Entities registered in CITSS must disclose *all* direct and indirect corporate associations, including those they have with entities in other jurisdictions. Entities that have direct corporate associates in another jurisdiction must share purchase and holding limits and declare all associations.

For More Information:

Please contact the Cap-and-Trade Program web site at: <http://www.arb.ca.gov/cc/capandtrade/capandtrade.htm>.