



# 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 September 29, 2014** **Issued on August 29, 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 September 29, 2014* (“Reserve Sale Notice”), is the official notification for the September 29, 2014, greenhouse gas (GHG) reserve sale (September 2014 reserve sale). The September 2014 reserve sale will offer allowances from the Allowance Price Containment Reserve (APCR) for sale in three fixed-price, equal-sized tiers.

**The September 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 September 2014 Reserve Sale**

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

**Table 1: APCR Allowances Offered in the September 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

Attachment A to this Notice includes the detailed requirements and instructions for participating in a reserve sale. Attachment B to this Notice provides information and examples of how to determine the amount of a bid guarantee, how holding limits are

*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>.*

California Environmental Protection Agency

applied, and examples of how reserve sales are settled.

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

For the purpose of this 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.
- “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 September 2014 reserve sale.

**II. Reserve Sale Schedule**

Table 1 presents the current schedule for all events associated with the September 2014 reserve sale (“Reserve Sale Schedule”). Any changes to the current schedule of events 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 selected the “Auction Participation” box in CITSS.

**Table 2: Reserve Sale Schedule**

<b>Activities</b>	<b>Due Date</b>	<b>Time - Pacific Time (PT)</b>
Release Reserve Sale Notice / Reserve sale application period opens	Friday, August 29, 2014	12:00 PM (Noon) PT
Reserve sale application period closes	Tuesday, September 9, 2014	11:59 PM PT
All bid guarantees due to Financial Services Administrator	Wednesday, September 17, 2014	No later than 2:00 PM PT
ARB approves reserve sale participants and PAR and AARs notified	Thursday, September 25, 2014	No later than 5:00 PM PT
Reserve sale held	Monday, September 29, 2014	Bidding window open from 10:00 AM – 1:00 PM PT
Public notice of reserve sale results released	Thursday, October 2, 2014	12:00 PM (Noon) PT

Activities	Due Date	Time - Pacific Time (PT)
Notification of reserve sale results sent to qualified bidders	Thursday, October 2, 2014	12:00 PM (Noon) PT
Financial settlement in cash due to Financial Services Administrator	Thursday, October 9, 2014	No later than 2:00 PM PT
Transfer of allowances into CITSS Accounts	Wednesday, October 22, 2014	12:00 PM (Noon) PT
Earliest date for bid guarantee expiration	Monday, October 27, 2014 <sup>1</sup>	

### III. Administrative Requirements to Participate in 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, the individuals that will be authorized to submit an application or confirm an intent to bid for the entity, and/or bid on behalf of the entity must be approved as either the PAR or an AAR on the entity's account. Potential applicants' CITSS accounts must accurately reflect all required registration information, including information on corporate associations.

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

Additionally, to participate in the September 2014 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 and Financial Services Administrator. Additional information about administrative requirements and reserve sale participation is provided in Attachment A of this Notice available at [http://www.arb.ca.gov/cc/capandtrade/auction/sept-2014/reserve\\_sale\\_notice\\_attachment\\_a.pdf](http://www.arb.ca.gov/cc/capandtrade/auction/sept-2014/reserve_sale_notice_attachment_a.pdf).

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

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<sup>1</sup> The earliest date for expiration of a physical bid guarantee instrument is 26 days after the reserve sale. As this date falls on a Saturday, the earliest date for bid guarantee expiration has been moved to the next business day.

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

All account representatives who are authorized by an entity to act on behalf of the entity in a reserve sale must have an active Auction Platform account. Only those representatives with an active Auction Platform account will be able to access the Auction Platform to submit an application or confirm an intent to bid 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 and Reserve Sale 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 his or her 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 and Reserve Sale Administrator to send a new link. If an individual has previously activated his or her Auction Platform account, that individual will still 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 in a single-round, sealed-bid reserve sale format.

Bid quantities can only be submitted in multiples of 1,000 GHG APCR allowances. Bids must be submitted in one of the three tiers, each has a set tier price. Bid schedules that include bids for 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 GHG 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 Notice available at [http://www.arb.ca.gov/cc/capandtrade/auction/sept-2014/reserve\\_sale\\_notice\\_attachment\\_b.pdf](http://www.arb.ca.gov/cc/capandtrade/auction/sept-2014/reserve_sale_notice_attachment_b.pdf).

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

The September 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 bidding window at

1:00 PM PT on September 29, 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 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 at [www.arb.ca.gov/auction](http://www.arb.ca.gov/auction) 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 ARB's Auction Information webpage at [www.arb.ca.gov/auction](http://www.arb.ca.gov/auction) 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**

The Financial Services Administrator will settle for all allowances awarded in a reserve sale once a reserve sale is certified. Financial settlement must be completed in cash.

The Auction and Reserve Sale 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 use the cash submitted to settle for any amounts owed. For entities that submitted physical bid guarantees (letter of credit or bonds), the Financial Services Administrator will collect cash payment from winning bidders within seven (7) days of notification of the availability of the 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 allowances awarded by any entity that fails to make cash payment within seven (7) days.

## Contact Information

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

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