



Cap-and-Trade Practice Auction
Media Webinar
August 28, 2013

Presented by the California Air
Resources Board
Office of Communication

Cap-and-Trade Background

- Program uses market mechanisms to provide flexibility in reducing greenhouse gas emissions
- Allows covered parties to determine how best and how much to reduce their annual emissions
- One allowance permits release of one metric ton of carbon dioxide
- Most allowances are free at the beginning of the program
- Total number issued equals cap; cap drops two-to-three percent a year

Why an Auction?

- Puts a price on carbon, making it a cost of doing business
- Lets the market determine the price
- Provides financial incentive to drive investment and innovation in clean energy
- As cap and number of allowances drop, entities seek actual reductions at lower cost per ton than allowances

ARB Auction Is Primary Market

- California allowances issued only by ARB
- Auction market exists to sell California allowances four times a year
- Allowances have only one purpose: cap-and-trade compliance

Secondary Market

- Cannot create new compliance instruments
- California allowances and ARB-approved compliance grade offsets can be traded in the secondary market

Mandatory Emissions Reporting

- ARB's Mandatory Greenhouse Gas Reporting Rule is the foundation of the cap-and-trade program
- Facilities that emit more than 25,000 metric tons of carbon dioxide each year have reported those emissions since 2008
- Those emissions reports are audited annually by Air Resources Board trained third-party verifiers
- California's data base is the only one verified in this way

Mandatory Emissions Reporting

- The mandatory reporting regulation lets the ARB know almost to the ton how much greenhouse gas is being emitted by each facility
- Mandatory Reporting reports are available to the public as spreadsheets or through ARB's Google Earth emissions mapping tool

<http://www.arb.ca.gov/ei/tools/ghgfacilities/>

What Does CITSS Do?

- All valid allowances are issued in CITSS
- CITSS tracks allowances for all cap-and-trade program participants
- Account holders must complete Know Your Customer check
- CITSS tracks all sales and transactions
- All auction buyers must be registered in CITSS
- Secondary market buyers and sellers must be known to CITSS before sale

CITSS Registration Screen



CITSS Compliance Instrument Tracking System Service

English • Français

Login
Home
User Registration

User Registration

Completion of the following form is required to obtain a User ID.
Information collected on this form is used to administer the cap-and-trade program.

After completing this form, pressing the "Register" button at the bottom of the form will take you to the Terms and Conditions. Upon acceptance of the Terms and Conditions, your registration information and acceptance are electronically submitted to the Jurisdiction Registrar. The electronic submission must be supported by printed copies and additional proof of identity documents that are mailed to the Registrar for approval. You will be provided instructions on what to do when you complete the Terms and Conditions.

* = Required field

Salutation	<input type="text"/>
First Name *	<input type="text"/>
Middle Name	<input type="text"/>
Last Name *	<input type="text"/>
Suffix	<input type="text"/>
Date of Birth *	22 June 2012
Job Title	<input type="text"/>
Organization	<input type="text"/>
Department	<input type="text"/>
Telephone *	<input type="text"/>
(example: 9163247659)	
Telephone Ext.	<input type="text"/>
Mobile Telephone	<input type="text"/>
Fax Number	<input type="text"/>
(example: 9163247659)	
Email *	<input type="text"/>
Email Language Preference *	-- Select --

Primary Residence

Street 1 *	<input type="text"/>
Street 2	<input type="text"/>
City *	<input type="text"/>
State/Province *	-- Select --
Postal Code *	<input type="text"/>
Country *	-- Select --



Proof of Identity

CITSS

Compliance Instrument
Tracking System Service

#3 Proof of Identity Form

Print this form (page) using your browser print function. After printing, you should close this window/tab (not your browser) to return to the CITSS application where you can select the print windows for the Checklist Form, User Registration Form, and Proof of Identity Form.

CITSS User Reference Code #: 3NSMDT78BV56

You must complete this form and include the supporting documents listed below and on the User Registration Checklist to receive access to CITSS. All documents must be submitted in English.

Section 1.0 Proof of Identity Documentation:

You must provide documentation of the following to complete this Proof of Identity Form:

- a. Your name
- b. Your date of birth
- c. Your driver's license number (if issued) or your passport number (if issued)
- d. A government-issued document providing photographic evidence of your identity

Acceptable forms of documentation for items a.-d. include photocopies of a valid identity card with an expiration date (including driver's license), or photocopies of a valid passport.

- e. Your primary resident address

Acceptable forms of documentation for item e. include photocopies of a valid identity card with an expiration date (include driver's license), any other government-issued identity document containing your primary address, or any other document that is customarily accepted in the State of California as evidence of your primary residence.

- f. Your employer name, address, and contact information

Acceptable forms of documentation for item f. include photocopies of a recent paycheck with your employer name and address clearly printed, or an employment verification letter containing the name of hte employer, address, and contact information of a supervisor. If submitting a photocopy of a paycheck, you may redact information such as pay, benefit information, and Social Security Number.

- g. Employment or other relationship to an entity that has registered or has applied to register with the California GHG cap-and-trade program or an external GHG ETS to which California has linked. Please include the information below:

- 1. I am employed or I have a relationship with an entity that has registered or applied to register with the California GHG cap-and-trade program or an external GHG ETS to which California has linked. I have provided additional details on these relationships in the table below.
- 2. I am not employed or I do not have a relationship with an entity that has registered or applied to register with the California GHG cap-and-trade program or an external GHG ETS to which California has linked.

If you selected option 1, you must identify the entities you have a relationship by completing the additional information requested below. If you selected option 2 you do not need to identify any relationships in the table below.

Employment or Other Relationship to Cap-and-Trade Entities			
Your Name	Entity Legal or Operating Name	Relationship	Entity Address

The Auction

- Apply for auction
- Post bid guarantee
- Bid
- Receive auction results
- Remit payment

Auction Contractors

- Auction Platform Provider: Markit, North America
- Financial Services Administrator: Deutsche Bank

What's for Sale at Auction

- State-owned allowances
- Utility-owned allowances
- Allowances are labeled by “vintage”—the year they can first be used for compliance
- Compliance offsets are not offered at the auction

Auction Vintages for Fiscal 2012-13

Auction	Current Vintages	Future Vintages
Nov 2012	2013	2015
Feb 2013	2013	2016
May 2013	2013	2016

Auction Rules

- Bid guarantees posted with financial services administrator 12 days before auction
 - Cash, bond or letter of credit
- Auction entirely electronic
- Allowances are bid for in lots of 1,000
- Minimum (reserve) price of \$10 per allowance



Auction Rules

- Sealed, electronic bids are made during three-hour window
- Participants can see only their own bids
- Bids are filled from highest to lowest until either all allowances are sold or the reserve price is reached
- Bids are rejected if filling the bid would exceed the bid guarantee, purchase limit or holding limit
- The settlement price is the lowest accepted bid
- All allowances are sold at the settlement price.

Holding Limits and Purchase Limits

- The cap-and-trade regulations impose holding limits and auction purchase limits to prevent participants from acquiring market power:
- The regulation limits the number of allowances a market participant can hold at any one time
- Non-utility covered entities may purchase no more than 15 percent of allowances sold at each auction
- Voluntary entities are limited to four percent of allowances sold at each auction

Auction Platform

The screenshot displays the 'Auction & Reserve Sale Platform' website. At the top left is the WCI, Inc. logo. The main header contains the title 'Auction & Reserve Sale Platform' and user options: 'Welcome, Test Org', 'LOGOUT', and 'SUPPORT'. A navigation bar below the header includes tabs for 'Home', 'Resources', 'Archive', 'Application', and 'Auction'. On the right side of this bar, a red indicator shows 'AUCTION IS CLOSED'. A large blue banner below the navigation bar reads 'Welcome to the GHG Allowance Auction & Reserve Sale Platform'. The main content area features a central announcement: 'The next Quarterly Auction will be held on September 04, 2012', accompanied by a digital countdown timer showing 28 days, 07 hours, and 45 minutes. Below this, a table displays 'Auction Reserve Price' as \$10.00 USD, with options for CAD and US Dollar. The page is divided into three columns. The left column, titled 'Auctions Welcome', provides introductory text and a link to account reports. The middle column, 'About the Platform', contains a video player with a play button. The right column contains three sections: 'REPORTS' with a 'Document Type' dropdown set to 'Auction' and a 'Report or Document' dropdown; 'AUCTION HIGHLIGHTS'; and 'NOTICES' with a 'VIEW ALL' link and a notice for 'PRACTICE AUCTION NOTICE: 2012 Q3 AUGUST 30 AUGUST 3, 2012'.

WCI, Inc. Auction & Reserve Sale Platform Welcome, Test Org LOGOUT | SUPPORT

Home Resources Archive Application Auction AUCTION IS CLOSED

Welcome to the GHG Allowance Auction & Reserve Sale Platform

The next Quarterly Auction will be held on September 04, 2012

28 07 45
DAYS HOURS MINS

Auction Reserve Price \$10.00 USD -- CAD FX Rate -- US Dollar -- Canadian Dollar

Auctions Welcome

This page is the home page for the Auction Platform where you access through the top tabs to: resources, archive, auction and reserve sale application, and the auction window.

To the right of this page you will also be able to access your accounts recent auction and/or reserve sale result reports.

About the Platform

REPORTS

Document Type
Auction Template

Report or Document
Select

CSV XML

AUCTION HIGHLIGHTS

NOTICES [VIEW ALL](#)

PRACTICE AUCTION NOTICE:
2012 Q3 AUGUST 30
AUGUST 3, 2012

Auction Platform Intent Screen

Do you intend to bid?

Our entity intends to bid in the upcoming auction or reserve sale:

Select Auction

Please note: *If you are a covered entity and would like to participate in both the auction and reserve sale, please submit your intent to bid and complete your application for the upcoming auction. You will need to submit a separate intent to bid for the reserve sale.*

[Back](#) [Cancel](#) [Confirm & Continue](#)

Auction Application

The screenshot displays the 'Auction & Reserve Sale Platform' website. The header includes the WCI, Inc. logo and the title 'Auction & Reserve Sale Platform'. A navigation menu contains 'Home', 'Resources', 'Archive', 'Application' (highlighted), and 'Auction'. Below the menu, the page title is 'Auction & Reserve Sale Application'. A process flow diagram shows five steps: 1. INTENT TO BID, 2. ENTITY APPLICATION INFORMATION (highlighted), 3. AUTHORIZED USER DETAILS, 4. BID GUARANTEE, and 5. ATTESTATION.

WCI, Inc. Auction & Reserve Sale Platform

Home Resources Archive **Application** Auction

Auction & Reserve Sale Application

- 1 INTENT TO BID
- 2 ENTITY APPLICATION INFORMATION
- 3 AUTHORIZED USER DETAILS
- 4 BID GUARANTEE
- 5 ATTESTATION



Bid Window

<i>Bid Number</i>	<i>User</i>	<i>Time</i>	<i>Currency</i>	<i>Bid Price</i>	<i>Bid Lot x 1000</i>	<i>Vintage</i>	<i>Total Allowances</i>	
1638		15:24:12	<input type="text" value="USD"/>	<input type="text" value="35.00"/>	<input type="text" value="8"/>	<input type="text" value="2013"/>	8,000	<input type="button" value="X"/> <input type="button" value="Submit"/>

Practice vs. Real Auction

- Practice auction is an opportunity for covered parties to become familiar with the process and technology
- Practice is invitation only
- Allows ARB staff to see operation in real time and put the system through its paces
- No money or actual allowances will change hands
- No settlement price will be posted

Market Monitoring

- Monitoring Analytics will monitor the carbon market for ARB
- Monitoring begins with November 2012 auction
- Market monitor will watch for signs of unusual price fluctuations to detect efforts to game the system

Market Surveillance Committee

- Experts from Stanford, UC Berkeley, UC Davis
- Will evaluate overall market trends and individual situations and provide comments, critiques and recommendations
- Modeled after CAISO Market Surveillance Committee