

Updated December 1, 2017

## **California Cap-and-Trade Program**

### **Facts About** **The Linked Cap-and-Trade Programs**

*California's Cap-and-Trade Program linked with Québec's Cap-and-Trade System on January 1, 2014, and will link with Ontario's Cap-and-Trade Program on January 1, 2018. This fact sheet provides information on the impacts of linkage.*

#### **Will any changes occur to California, Québec, or Ontario allowances issued prior to January 1, 2018?**

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

#### **Will there be a difference between California, Québec, and Ontario allowances after linkage?**

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

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

Yes. As of January 1, 2018, an entity in any one of the three jurisdiction will be able to purchase allowances issued in a linked jurisdiction on the secondary market, for example through bilateral transactions. As of January 3, 2018, an entity in any one of the three jurisdictions will 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. The first Joint Auction with all three jurisdictions is scheduled for February 21, 2018.

#### **Can an entity register in multiple jurisdictions?**

The only entities that can register in multiple jurisdictions are those that are covered by more than one of the jurisdictions' programs. For instance, if a covered entity has a compliance obligation in both California and Ontario, or Ontario and Québec, or California and Québec, the covered entity must register in each jurisdiction in which it

has an obligation. However, since a single entity being covered by multiple programs is not common, most entities will only be allowed to register with one program (i.e., the jurisdiction in which the covered entity has a compliance obligation). The California Cap-and-Trade Regulation specifies that 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 or Ontario program, a VAE must be located in Canada. An entity that is covered by one program cannot register as a VAE in another program.

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

Yes. Entities registered in CITSS must disclose parent entities; all direct and indirect corporate associates with entities registered in California, Ontario, and Québec; and unregistered entities in a line of corporate associations between registered entities. Entities registered in CITSS must also disclose, but only upon request, unregistered direct corporate associates involved in markets related to the Cap-and-Trade Program. Entities that have direct corporate associates in another jurisdiction must share purchase and holding limits and declare all associations as specified in section 95833 of the California Cap-and-Trade Regulation. The distribution of shares of the holding and purchase limits is only valid after it is confirmed by all members of a direct corporate association. California entities that have corporate associates registered in Québec and Ontario should confirm that those entities have made the appropriate disclosures to their jurisdictions.

### **For More Information:**

For additional information on the Cap-and-Trade Program please visit the Cap-and-Trade website at <https://www.arb.ca.gov/cc/capandtrade/capandtrade.htm>.