



# 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 December 30, 2015** **Issued on November 30, 2015**

### **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 December 30, 2015 (Reserve Sale Notice), is the official notification for the December 30, 2015, greenhouse gas (GHG) allowance reserve sale (December 2015 Reserve Sale). The December 2015 Reserve Sale will offer allowances from the Allowance Price Containment Reserve (APCR) for sale in three fixed-price, equal-sized tiers. In the Auction and Reserve Sale Platform (Auction Platform),<sup>1</sup> the December 2015 Reserve Sale is identified by the title December 2015 Reserve Sale 12.

**The December 2015 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 December 2015 Reserve Sale**

The number of APCR allowances that will be available for sale during the December 2015 Reserve Sale is provided in Table 1.

**Table 1: APCR Allowances Offered in the December 2015 Reserve Sale**

<b>Sale</b>	<b>Number of APCR Allowances</b>
Tier 1 - \$45.20 per allowance	40,611,000
Tier 2 - \$50.86 per allowance	40,611,000
Tier 3 - \$56.51 per allowance	40,611,000

<sup>1</sup> For simplicity, the Auction and Reserve Sale Platform is referred to as the Auction Platform in all notices regarding auctions and reserve sales.

*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>.*

Table 1 reflects the number of APCR allowances allocated to three equal-sized tiers pursuant to Section 95913(d) of the Cap-and-Trade Regulation (Regulation). Pursuant to Section 95913(f) of the Regulation, for the December 2015 Reserve Sale, additional Tier 3 allowances will be made available if the amount of qualified bids in Tier 3 exceeds the number of Tier 3 allowances listed in Table 1. Tier 3 bids fulfilled in an amount greater than the amount listed in Table 1 may be fulfilled with allowances from future vintage years.

Attachment A to this Reserve Sale Notice includes the detailed requirements and instructions for participating in a reserve sale. Attachment B to this Reserve Sale Notice provides information and examples of how to determine the amount of a bid guarantee, how holding limits are applied, and examples of how reserve sales are settled. Attachment A and Attachment B are available from the ARB Auction Information webpage at [www.arb.ca.gov/auction](http://www.arb.ca.gov/auction).

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

For the purpose of this Reserve Sale Notice and attachments, the following general terms are used to describe systems used and potential reserve sale participants:

- “Entity” refers to a person, firm, association, organization, partnership, business trust, corporation, limited liability company, company, or government agency.
- “Auction Platform” refers to the electronic platform through which auctions and reserve sales are conducted, which can be accessed at <https://www.wci-auction.org>.

### **I. Reserve Sale Eligibility**

California covered entities and opt-in covered entities are eligible to participate in the December 2015 Reserve Sale.

### **II. Reserve Sale Schedule**

Table 2 presents the current schedule for activities associated with the December 2015 Reserve Sale (Reserve Sale Schedule). Any changes to the Reserve Sale Schedule 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 indicated an interest in participating in auctions or reserve sales by selecting the “Auction Participation” box in CITSS.

**Table 2: Reserve Sale Schedule**

<b>Activities</b>	<b>Due Date</b>	<b>Time - Pacific Time (PT)</b>
Reserve Sale Notice released/ Reserve sale application period opens	Monday, November 30, 2015	12:00 PM (Noon) PT
Deadline for entities to make changes in auction application information listed in Section 95912(d)(4) and submit all hard copy documents accompanying these changes	Thursday, December 10, 2015	
Reserve sale application period closes	Thursday, December 10, 2015	11:59 PM PT
All bid guarantees due to Financial Services Administrator	Friday, December 18, 2015	No later than 3:00 PM PT
Reserve sale participants approved and PAR and AARs notified	Monday, December 28, 2015	
Reserve sale held	Wednesday, December 30, 2015	Bidding window open 10:00 AM – 1:00 PM PT
Reserve Sale Summary Results Report released	Tuesday, January 5, 2016	12:00 PM (Noon) PT
Reserve Sale Certified / Reserve sale results available to qualified bidders	Tuesday, January 5, 2016	12:00 PM (Noon) PT
Financial settlement in cash due to Financial Services Administrator	Tuesday, January 12, 2016	No later than 3:00 PM PT
Transfer of APCR allowances into CITSS Compliance Accounts	Wednesday, January 20, 2016	
Earliest date for bid guarantee expiration	Monday, January 25, 2016	

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

Select the “Auction Participation” box in CITSS

Additionally, to participate in a 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 (Auction Administrator)<sup>2</sup> and Financial Services Administrator. Additional information about administrative requirements and reserve sale participation is provided in Attachment A to this Reserve Sale Notice, available from the ARB Auction Information webpage.

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

**B. PAR/AAR Auction Platform Accounts**

Any PAR or AAR authorized by an entity to act on its behalf 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 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, entity and representative information is transferred to the Auction Administrator for entities that have selected the “Auction Participation” box in CITSS. If an individual has previously activated his or her Auction Platform account, that individual will be able to access the Auction Platform using the established credentials. 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 their 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 Administrator and request that a new link be sent.

**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.

Each entity must submit an application for each reserve sale in which it wishes to participate. All changes in entity application information listed in Section 95912(d)(4) of

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<sup>2</sup> For simplicity, the Auction and Reserve Sale Administrator is referred to as the Auction Administrator in all notices regarding auctions and reserve sales.

the California Regulation, including those that require submittal of hard copy documentation such as disclosure of corporate associations, must be submitted prior to the close of the application period. Attachment A to this Reserve Sale Notice includes more detailed requirements related to the disclosure of corporate associations. Note that the Auction Attestation requirements described in Section 95912(d)(4)(E) of the Cap-and-Trade Regulation do not apply to reserve sales.

To manage bid guarantees and payment for allowances awarded, the Financial Services Administrator must establish or verify a Financial Services Account for each entity that applies to participate in an auction or reserve sale. Entities that have not previously established a Financial Services Account and those with changes in corporate disclosures may need to provide additional information to the Financial Services Administrator to support the account being established or verified. The Financial Services Administrator will send a request for this data directly to the PAR and AARs on the entity's CITSS account.

All final bid guarantees must be received by the Financial Services Administrator by no later than the date and time listed in the Reserve Sale Schedule.

ARB will approve or deny applicants for a reserve sale within two (2) business days prior to the date the reserve sale is scheduled to take place.

Bid quantities can only be submitted in multiples of 1,000 APCR allowances. Bids must be submitted in one of the three tiers, each with a set tier price. Bid schedules that include bids for APCR 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 APCR allowances are sold or all the accepted bids are filled.

Bidders submit a single bid guarantee for all reserve sale tiers. The entity's total cost for allowances awarded in Tier 1 will be determined and deducted from the bid guarantee amount, and any bid guarantee amount remaining will be applied to Tier 2. The entity's total cost for allowances awarded in Tier 1 and Tier 2 will be determined and deducted from the bid guarantee amount, and any bid guarantee amount remaining will be applied to Tier 3.

Examples of how reserve sales are settled are provided in Attachment B to the Reserve Sale Notice, available from the ARB Auction Information webpage.

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

The December 2015 Reserve Sale includes the scheduled 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 December 30, 2015. Participants will be able to submit bids manually and upload bid schedules in a pre-defined Excel template in the Auction Platform during the scheduled bidding window. Additional information on submitting bids is included in Attachment A to this Reserve Sale Notice.

### **Notification that Reserve Sale Will Not Be Held**

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 within 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 no later than two (2) days prior to the scheduled reserve sale.

### **Financial Settlement**

Entities will complete the financial settlement process with the Financial Services Administrator for all APCR allowances purchased in a reserve sale once the reserve sale is certified. Financial settlement must be completed in cash.

The entity's reserve sale results will be available for download through the Auction Platform after certification of the reserve sale as provided in the Reserve Sale Schedule.

For those entities that submitted cash bid guarantees, the Financial Services Administrator will use the cash submitted to settle for any amounts owed. For winning bidders that submitted physical bid guarantees (Letter of Credit or bond), the entity must complete financial settlement in cash within seven (7) days of certification of the reserve sale and availability of the entity's 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 APCR allowances purchased by any entity that fails to make cash payment within seven (7) days of certification of the reserve sale.

### **Reserve Sale Participant Training Materials**

A Reserve Sale Participant Training presentation is available on the ARB Auction Information webpage and includes information on administrative and regulatory

requirements for reserve sale participation, the reserve sale application process, bid guarantee submission, bid submission, bid fulfillment and purchase determinations, and financial settlement processes for reserve sales.

Training materials are also available from the Auction Platform, and include a calendar of upcoming activities, Frequently Asked Questions (FAQs), the Reserve Sale Participant Training presentation, and an Auction and Reserve Sale User Guide.

### **Reserve Sale Contact Information**

For further information about participation in the December 2015 Reserve Sale, please contact one of the following individuals:

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