

PREPARING FOR THE 2019 ANNUAL COMPLIANCE OBLIGATION

The third California Cap-and-Trade Compliance Period (CP3) began on January 1, 2018 and ends on December 31, 2020. The Compliance Period includes two annual compliance obligation deadlines, November 1, 2019 (for 2018 emissions) and November 2, 2020 (for 2019 emissions), and one Full Compliance Period Compliance Obligation deadline on November 1, 2021 (full compliance obligation).

- The annual compliance obligation deadline for 2019 emissions is **November 2, 2020, 5:00 PM Pacific Time.**

This document outlines the key actions that the Primary Account Representative (PAR) and/or an Alternate Account Representative (AAR) should undertake to ensure entities have sufficient compliance instruments (eligible allowances and offset credits) in the compliance account to fulfill the 2019 Annual Compliance Obligation. This document provides the following guidance:

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CARB Help Desk Services are available 8:00 AM to 5:00 PM Pacific Time

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1.1 SUMMARY OF THE 2019 ANNUAL COMPLIANCE OBLIGATION

1.1.1 Key Points

- CARB schedules compliance obligation deadlines following entity reporting of verified emissions, i.e., the year following actual emissions. The 2019 Annual Compliance Obligation deadline, for 2019 emissions, is [November 2, 2020 at 5 PM Pacific Time](#).
- The 2019 Annual Compliance Obligation is 30 percent of 2019 verified emissions. Account representatives must transfer eligible instruments to an entity's compliance account (surrender instruments) before the 2019 Annual Compliance Obligation deadline on [November 2, 2020 at 5 PM Pacific Time](#).
- Eligible Instruments for the 2019 Annual Compliance Obligation are:
 - Allowances with vintage 2019 or earlier
 - Allowances with no vintage (always eligible)
 - Offset credits of any vintage (up to the 8 percent Quantitative Usage Limit)
 - Offset credits with the Direct Environmental Benefits in the State of California (DEBS) designation can be surrendered but are not required
 - Entities assigned a true-up quantity can use vintage 2020 and/or 2021 allowances as specified by "Remaining True-up Quantity"
- Failure to fulfill the compliance obligation by the deadline results in an Untimely Surrender Obligation. The untimely surrender obligation is any unfulfilled portion of an entity's annual or full compliance period compliance obligation and is calculated as four times the entity's outstanding emissions.

1.1.2 Discussion

The annual compliance obligation for 2019 emissions ended December 31, 2019. Entities were required to report verified 2019 emissions to CARB no later than August 2020. Account representatives must transfer a sufficient number of eligible compliance instruments into an entity's compliance account before the compliance obligation deadline.

An entity may use offset credits to satisfy a portion of the 2019 Annual Compliance Obligation. The maximum number of offset credits allowed is 8 percent of verified emissions. Offset credits of any vintage are eligible.

The CITSS Compliance Obligation Detail Report shows past and current compliance obligations. For current compliance obligations, CITSS shows a pending compliance status to assist account representatives in determining if sufficient eligible compliance instruments are in the compliance account to satisfy the compliance obligation.

The CITSS Compliance Obligation Detail Report does not show current compliance obligations until CARB uploads verified emissions and approves the compliance obligation in CITSS. CARB expects 2019 annual compliance obligations will be available in late September or early October 2020.

1.2 HOW TO REVIEW FACILITY INFORMATION

1.2.1 Key Points

Facility emissions are the basis for compliance obligations. CITSS sums facility emissions to determine the basis of an entity compliance obligation.

- An account representative should confirm that:
 - Correct facilities are associated with the entity
 - Facilities have the correct GHG Emissions Reporting ID
 - Correct facilities are active or retired
 - The CITSS GHG Emissions Reporting ID assigned to each facility is the same as the Cal-eGGRT ARB GHG Reporting ID for that facility

1.2.2 Discussion

Facility covered emissions are the basis of the compliance obligation calculation. An entity account can have multiple associated facilities and covered emission sources. CITSS identifies each facility or emission source associated to an entity account by a unique CITSS Facility ID and the GHG Emissions Reporting ID. The CITSS GHG Emissions Reporting ID is the same as the ARB GHG Reporting ID in the California electronic Greenhouse Gas Reporting Tool (Cal-eGGRT).

The following figure is a screenshot of the CITSS Facilities Tab. CITSS lists all facilities ever associated with an entity with its GHG Emissions Reporting ID and Facility Status. Facilities with Active status are currently associated with the entity and typically contribute to a compliance obligation. Account representatives should confirm the correct facilities are associated with the entity, are active or retired as applicable, and the CITSS GHG Emissions Reporting ID is the same as the Cal-eGGRT ARB GHG Reporting ID.

FIGURE: Screenshot of CITSS Facilities Tab

Home > My Account > Facilities Tab

Company+A

This page shows information for your account or set of accounts. You may propose changes to the information listed under the General and Contact Information pages by selecting Edit Information at the bottom of the pages. You can remove or propose changes to Representatives, and Account Viewing Agents under their respective tabs. You can indicate your interest in participating in the next scheduled auction under the Auction Tab.

The Facilities tab shows the facilities managed by the entity identified at the top of the screen. The entity is responsible for managing compliance instruments and compliance obligations for these facilities. Information about each facility is available by selecting the link in the Facility Name column. Additional facilities may be added by selecting the Add Facility button. Any facility changes must be accompanied with signed forms authorizing the changes. CITSS forms can be downloaded from the ARB CITSS website, <http://www.arb.ca.gov/citss>. For guidance on how to change facility information, additional CITSS support is available at: <http://wci-inc.org/support.php>

Facility Name	Facility Operating Name	GHG Emissions Reporting ID	Status	Effective Date	Retirement Date	Actions
Factory+A1	Factory+A1	12345	Active	2019-05-03		No Action
Factory+A2	Factory+A2	12345	Active	2019-05-03		No Action

[CSV](#)
[Excel](#)
2 records

1.3 HOW TO REVIEW FACILITY VERIFIED COVERED EMISSIONS

1.3.1 Key Points

- CITSS calculates the annual compliance obligation based on verified facility covered emissions for the applicable year.
- CITSS shows verified covered emissions by facility by year.
- An account representative should confirm that:
 - Verified covered emissions are correct
 - Verified covered emissions are associated to the correct facility

1.3.2 Discussion

CITSS calculates compliance obligations based on verified facility covered emissions for the applicable year. Entities report verified covered emissions to CARB no later than August of the year following the year in which the covered emissions occurred, e.g., entities reported verified 2019 emissions to CARB in 2020.

The following figure shows a screenshot of a CITSS Emissions Report displaying all verified emissions by budget year and facility.

Figure: Screenshot of a CITSS Emissions Report

Home > Representative Reports > Compliance – Emissions Report

Emissions

This page allows a user to produce an Emissions Report. The search function allows searching by Budget Year, CITSS Entity ID, Entity Legal Name, Facility Name, and GHG Emissions Reporting ID. Selecting the "Search" button generates the Emissions Report for the selected criteria. The search results are presented in tabular form in the bottom half of the screen and may be more than one page in length. The table is sortable (ascending or descending) by clicking on the column titles. Additional pages are accessed using the page numbers below the table on the left. This table can be exported in its entirety to CSV or Excel format by selecting the appropriate link below the table on the right. Selecting the "Clear" button clears the search fields.

Budget Year 2016 ^
2017 |
2018 |
2019 v

CITSS Entity ID

Entity Legal Name

Facility Name

GHG Emissions Reporting ID

Results per page 10 v

Budget Year	CITSS Entity ID	Entity Legal Name	Facility Name	GHG Emissions Reporting ID	Emissions (metric tons CO ₂ e)	Updated Date/Time
2019	CA2909	Company+A	Factory+A1	12345	50,002	2020-08-03 16:43:21 EDT
2019	CA2909	Company+A	Factory+A2	12345	50,000	2020-08-03 16:43:21 EDT

[CSV](#) [Excel](#) 2 records

1.4 HOW TO ESTIMATE THE 2019 ANNUAL COMPLIANCE OBLIGATION

1.4.1 Key Points

- The 2019 Annual Compliance Obligation is 30 percent of 2019 verified covered emissions.
- CARB uploads verified covered emissions in CITSS rounded to the nearest whole number.
- CITSS calculates 30 percent of verified covered emissions (whole number) and rounds the result down to the nearest whole number.
- Representatives are able to preview the compliance obligation for the 2019 Annual Compliance Obligation on the CITSS Compliance Obligation Detail Report in late September or early October.

1.4.2 Discussion

Using preliminary reported emissions, entities can estimate their annual compliance obligation before CITSS shows the current compliance obligation.

Cal-eGGRT stores emission values in decimal format. CITSS stores emission values as whole numbers. CARB uses conventional rounding (less than 0.5 round down, 0.5 and greater round up) when uploading Cal-eGGRT emissions into CITSS.

CITSS calculates the annual compliance obligation as 30 percent of verified emissions. CARB rounds down the calculated compliance obligation to the nearest whole number.

The following example demonstrates calculation of the 2019 Annual Compliance Obligation for an entity with 2019 verified emissions in Cal-eGGRT of 101,000.82 metric tons.

Table: Example Calculation of an Annual Compliance Obligation

Description	Value
Verified emissions in Cal-eGGRT	100,001.82
Verified emissions (conventional rounding) in CITSS	100,002
Calculated 30% of verified emissions	30,000.6
Annual Compliance Obligation (30% of verified emissions, rounded down.)	30,000

In the above example, verified annual emissions in Cal-eGGRT are 100,001.82. CARB uses conventional rounding to determine verified emissions uploaded into CITSS, resulting in rounding up the verified emissions to 100,002. Thirty percent of the verified emissions is $0.3 \times 100,002$ equals 30,000.6. CARB rounds the calculated value down to the nearest whole number, resulting in a compliance obligation of 30,000.

1.5 QUANTITATIVE USAGE LIMIT

1.5.1 Key Points

- An entity may use offset credits to satisfy a portion of the 2019 Annual Compliance Obligation.
- The Quantitative Usage Limit sets the maximum number of offset credits an entity can use.
- The Quantitative Usage Limit for the 2019 Annual Compliance Obligation is eight percent (8%) of 2019 verified emissions.
- Offset credits with the special category designation Direct Environmental Benefits (DEBs) can be surrendered, but are not required for the 2019 compliance obligation. (For reference, starting with 2021 verified emissions, the Quantitative Usage Limit will be reduced to four percent (4%) of 2021 verified emissions, and no more than half of this limit can be met with offset credits that are not designated as providing DEBS.)

1.5.2 Discussion

In CITSS, verified emissions are a whole number. Multiplication of verified emissions as a whole number by 0.08 (8%) usually results in a decimal value. To avoid exceeding the Quantitative Usage Limit, CARB rounds the calculated maximum number of offset credits down to the nearest whole number.

The table below shows an example calculation of the maximum number of offset credits an entity may use in the 2019 Annual Compliance Obligation. In the table, verified annual emissions are 100,002. Eight percent of the verified emissions ($0.08 \times 100,002$) is 8,000.16. To avoid exceeding the Quantitative Usage Limit, CARB rounds down the calculated value to the nearest whole number, resulting in 8,000 allowances as the maximum number of allowances allowed in this compliance obligation.

Table: Calculation of Maximum Offset Credits for 2019 Annual Compliance Obligation

Description	Value
Verified annual emissions in CITSS	100,002
Quantitative Usage Limit	8 percent
8 percent of verified annual emissions	8,000.16
Maximum Number of Offset credits that can be used (rounded down)	8,000

1.6 UNDERSTANDING ELIGIBLE COMPLIANCE INSTRUMENTS

1.6.1 Key Points

- An entity must use eligible instruments to fulfill a compliance obligation.
- Eligible Instruments for the 2019 Annual Compliance Obligation are:
 - Allowances with vintage 2019 or earlier
 - Allowances with no vintage (always eligible)
 - Offset credits of any vintage (up to the 8 percent Quantitative Usage Limit)
 - Offset credits with the DEBS designation can be surrendered but are not required
 - Entities assigned a true-up quantity can use a limited number of vintage 2020 and/or 2021 allowances as specified by the “Assigned Vintage” associated with the entity’s Remaining True-up Quantity. The Compliance Obligation Detail Report section of this document provides further explanation of “Assigned Vintage.”

1.6.2 Discussion

The compliance obligation budget year, in this case 2019, is the year the emissions occurred. Eligible allowances for the 2019 Annual Compliance Obligation include allowances with a vintage 2019 or earlier. Offset credits of any vintage are eligible. The number of offset credits is subject to the quantitative usage limit of 8 percent of verified emissions. Price Containment Reserve Allowances (PCRAs) and other allowances without a vintage are always eligible. An entity with Remaining True-up Quantity may also use the specified number of vintage 2020 and/or 2021 allowances.

CITSS will only retire the number of instruments from the compliance account necessary to fulfill the compliance obligation. CITSS leaves excess instruments in the compliance account.

The following figure shows the CITSS Eligible Instruments for Retirement screen, which lists eligible instruments and the order that instruments are retired during compliance. The eligible instruments and retirement order for the 2019 Annual Compliance Obligation are:

- 1) Offset credits.
 - a) Oldest vintages retired first
 - b) Limited to 8% of the annual emissions with a compliance obligation
- 2) Price Containment Reserve Allowances
- 3) Other non-vintage Allowances
- 4) Allowances of vintage equal to the compliance obligation budget year or earlier
 - a) Oldest vintages retired first
- 5) Allowances allocated for the purpose of true-up and transferred to the compliance account
 - a) Oldest vintages retired first

Figure: Screenshot of CITSS Eligible Instruments for Retirement Report

Home > Representative Reports > Compliance – Eligible Instruments for Retirement

Eligible Instruments for Retirement

This page allows users to view a list of eligible instruments with the retirement order for an obligation period. Enter the Jurisdiction, Budget Year(s) and Obligation Type, then select the "Submit" button to generate the list. If a California jurisdiction entity that you represent has been assigned a True-Up Quantity, entering the entity ID will show the remaining True-up Quantity that can be used to satisfy a compliance obligation for the selected Budget Year(s) and Obligation Type.

Jurisdiction * v

Budget Year(s) * v

Obligation Type * v

CITSS Entity ID

The following information is provided as guidance. Users should consult the Regulation for specific retirement order requirements. The CITSS instrument retirement order for this obligation is:

1. Offset credits.
 - a. Oldest retired first.
 - b. Limited to 8% of the annual emissions with a compliance obligation.
2. Price Containment Reserve Allowances.
3. Other non-vintage Allowances.
4. Allowances of vintage equal to the obligation budget year or earlier.
 - a. Oldest retired first.
5. Allowances allocated for the purpose of True-up and transferred to the compliance account.
 - a. Oldest retired first.

1.7 UNDERSTANDING TRUE-UP

1.7.1 Key Points

- CARB allocates allowances to adjust for changes in required allocation of allowances resulting from verified emissions not reflected in prior allocations for a given year.
- "True-up Quantity" is a value, not a type of allowance.
- Remaining True-up Quantity is the number of allowances with a vintage later than the compliance obligation budget year that an entity can use to fulfill the current compliance obligation, i.e., an entity may use 2020 and/or 2021 vintage allowances for the 2019 Annual Compliance Obligation.

1.7.2 Discussion

Understanding true-up requires understanding related terminology and timing of activities. The budget year is the year the emissions occurred. CARB allocates allowances with a vintage the same as the budget year prior to each budget year. Entities report verified emissions to CARB following each budget year. If verified emissions require a greater number of allocated allowances than prior allocations, CARB provides additional allowances of a later vintage to adjust for the recalculated allocation. CARB refers to this process as "true-up."

When CARB receives verified emissions, allowances with the vintage equal to the budget year are no longer available to allocate. As a result, allowances allocated for true-up are of the vintage two years later than the budget year. Allowances allocated for true-up are included in the annual allocation each October. A summary of the 2019 budget year true-up cycle is as follows:

- 2018 Oct.....Entities receive 2019 allowances in the allocation for the upcoming budget year.
- 2019 Jan-Dec.....2019 budget year emissions occur.
- 2020 Aug.....2019 verified covered emissions are reported and True-up Quantity calculated.
- 2020 Oct.....CARB assigns 2019 True-up Quantity in CITSS and includes additional 2021 vintage allowances in the 2021 allocation.

In the above example, the true-up process allows use of the specified number of vintage 2021 allowances to fulfill the 2019 Annual Compliance Obligation, or any later compliance obligation. True-up Quantity Terminology

- “Assigned True-up Quantity” defines the vintage and number of allowances allocated for true-up.
- “Remaining True-up Quantity” is the balance of unused True-up Quantity. “Remaining True-up Quantity” is the maximum number of allowances of the specified vintage that an entity can use as eligible allowances toward fulfillment of the current compliance obligation.
- “Remaining True-up Quantity” remains useable until the assigned vintage becomes current and the true-up process is no longer required for the allowances to be eligible.

The following figure is a screenshot of the CITSS True-Up Quantity Report for Company+A for Budget Year 2019. The figure shows that CARB assigned a True-up Quantity of 1,000 to Facility+A1 for Budget Year 2019.

Figure: Screenshot of CITSS True-Up Quantity Report

Home > Representative Reports > Compliance – True-Up Quantity

True-Up Quantity

This page allows a user to produce a True-Up Quantity Report. The search function allows searching by Budget Year, CITSS Entity ID, Entity Legal Name, Facility Name, and GHG Emissions Reporting ID. Selecting the "Search" button generates the True-Up Quantity Report for the selected criteria. The search results are presented in tabular form. The table is sortable (ascending or descending) by clicking on the column titles. Additional pages are accessed using the page numbers below the table on the left. This table can be exported in its entirety to CSV or Excel format by selecting the appropriate link below the table on the right. Selecting the "Clear" button clears the search fields.

Budget Year 2016 ^
2017 ▾
2018 ▾
2019 ▾

CITSS Entity ID

Entity Legal Name

Facility Name

GHG Emissions Reporting ID

Results per page 10 ▾

Budget Year	CITSS Entity ID	Entity Legal Name	Facility Name	GHG Emissions Reporting ID	Assigned True-Up Quantity	Updated Date/Time
2019	CA2909	Company+A	Factory+A1	12345	1,000	2020-08-03 18:11:43 EDT

[CSV](#) [Excel](#) 1 record

CITSS provides information about Assigned True-up Quantity and Remaining True-up Quantity by Assigned Vintage in the Compliance Obligations Details Report (described in more detail in the next section of this document). The following figures excerpted from that report show that CARB allocated 1,000 vintage 2021 allowances to adjust the allocation for Budget Year 2019. The “Remaining True Quantity” is 1,000 (same as the Assigned True-up Quantity) because the entity has not yet used any 2021 allowances for compliance.

An entity can sell allocated allowances, but True-up Quantity remains with the entity. An entity that sells allowances may no longer have allowances of an Assigned Vintage. In such a situation, the entity can purchase other allowances of the Assigned Vintage and surrender those up to the “Remaining True-up Quantity.”

Figure: Screenshot of CITSS Assigned and Remaining True-up Quantity

Home > Representative Reports > Compliance Obligations – Current Tab

Assigned True-up Quantity ?

Budget Year	Facility Operating Name	GHG Emissions Reporting ID	Assigned Vintage	Assigned Quantity
2019	Factory+A1	12345	2021	1,000

[CSV](#) [Excel](#) 1 record

Remaining True-up Quantity ?

Eligible True-up Vintages	Remaining Quantity
2020	0
2021	1,000

1.8 HOW TO REVIEW COMPLIANCE OBLIGATION DETAIL IN CITSS

1.8.1 Key Points

- The Compliance Obligation Detail Report shows all relevant information for a selected compliance obligation.
- The Compliance Obligation Detail Report cannot show current compliance obligations until CARB uploads verified emissions, allowing calculation of the obligations, usually in late September or early October.
- CITSS evaluates instruments in the compliance account and calculates if there are enough eligible instruments to fulfill the compliance obligation. This is the Pending Compliance Status.

1.8.2 Discussion

The CITSS Compliance Obligations Detail Report presents detailed information about an individual compliance obligation. To access the Compliance Obligations Detail Report, choose the desired obligation from the CITSS Compliance Obligation Report. The following figure is a screenshot of the CITSS Compliance Obligations Report. The screenshot shows the search fields for 2019 compliance obligations, and the resulting 2019 Annual Compliance Obligation identified for Company+A.

Figure: Screenshot of the CITSS Compliance Obligations Report

Home > Representative Reports > Compliance Obligations – Current Tab

Compliance Obligations

This page allows users to view information regarding current or past Compliance Obligations by selecting the appropriate tab at the top of the page. The Obligation Period column identifies the Budget Year(s) and the type of Compliance Obligation. Selecting the hyperlink in the CITSS Entity ID column switches to the Compliance Obligation Detail page which presents additional information about the selected Compliance Obligation. If the Compliance Obligation status is In Progress or Not Processed, the hyperlink is unavailable.

The search function allows searching by Budget Year(s), Obligation Type, CITSS Entity ID, and Entity Legal Name. The search results are presented in tabular form in the bottom half of the screen and may be more than one page in length. The table is sortable (ascending or descending) by clicking on the column titles. Additional pages are accessed using the page numbers below the table on the left. This table can be exported in its entirety to CSV or Excel format by selecting the appropriate link below the table on the right. Selecting the "Clear" button clears the search fields.

Current
Past

Budget Year(s)

2016
 2015-2017
 2018
2019

Obligation Type

Annual
 Triennial
 Quadrennial

CITSS Entity ID

Entity Legal Name

Results per page

Search
Clear

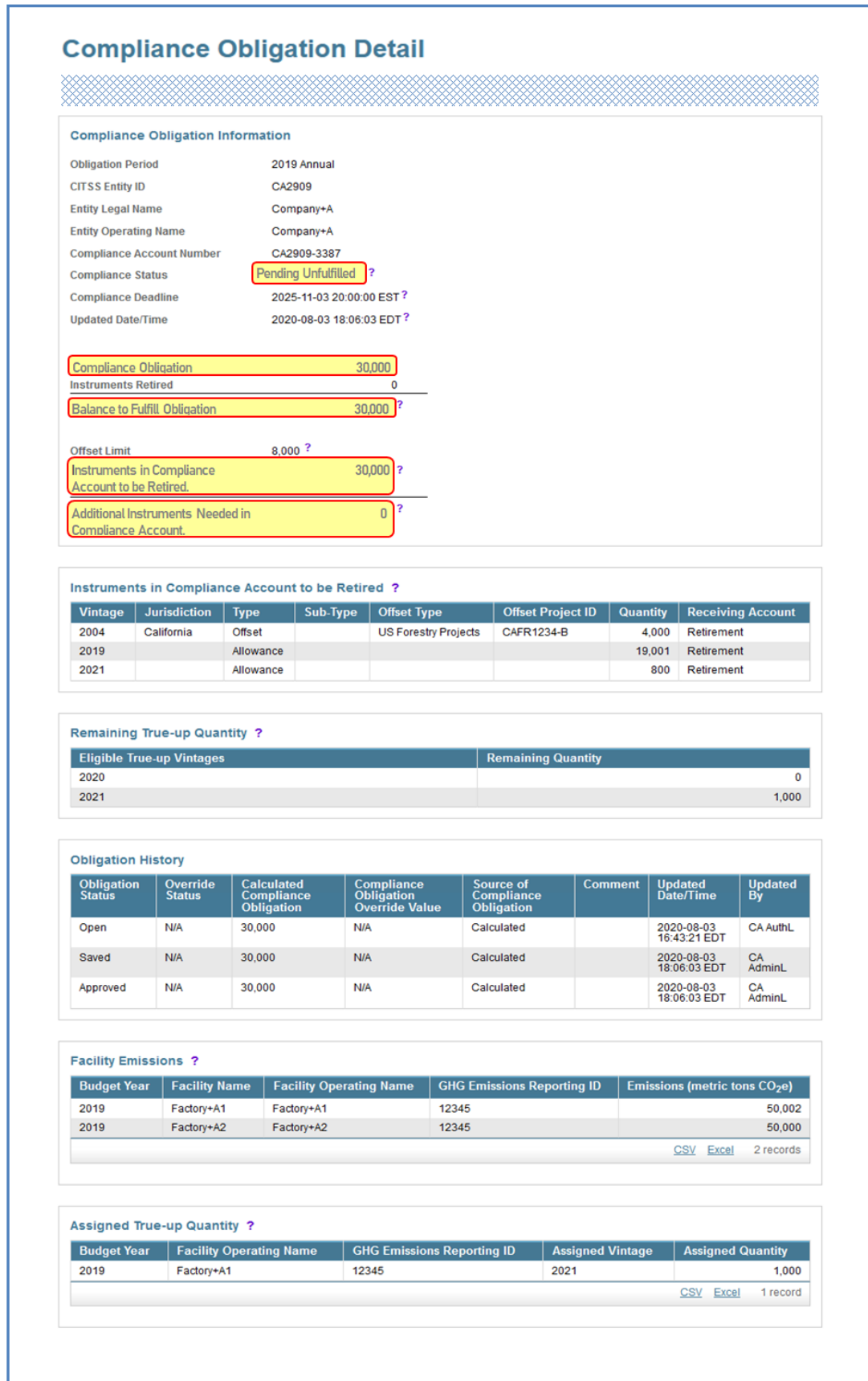
Obligation Period	Compliance Deadline	Obligation Period Status	CITSS Entity ID	Entity Legal Name	Compliance Obligation	Updated Date/Time
2019 Annual	2025-11-03 20:00:00 EST	Open	CA2909	Company+A	30,000	2020-08-03 18:06:03 EDT

[CSV](#) [Excel](#) 1 record

On the Compliance Obligations Report (figure shown above), the Current Tab is the default page with filters to view current or future compliance obligations. The Past Tab must be selected to review the information for past compliance obligations. This screen provides general information about the compliance obligation including the Obligation Period, Compliance Deadline, Obligation Period Status, CITSS Entity ID, Entity Legal Name, and the amount of the Compliance Obligation. To view the details of an individual compliance obligation, select the [CITSS Entity ID \(hyperlink\)](#) to open the Compliance Obligation Detail Report for the selected obligation.

The following figure is a screenshot of the CITSS Compliance Obligation Detail Report. The text section following the figure describes the key parts of the report. Not all of the components will be available to every entity or obligation.

Figure: Screenshot of CITSS Compliance Obligation Detail Report
 Home > Representative Reports > Compliance Obligations – Current Tab



1.8.3 Description of the CITSS Compliance Obligation Detail Report

The Compliance Obligation Detail Report presents all of the information needed to review a compliance obligation. Each section of the Compliance Obligation Detail Report contains a purple question mark “?” Hover the mouse over the purple question mark to view additional explanation of the individual topic.

Compliance Obligation Information.

This section of the Compliance Obligation Detail Report is the most important part of the report. The format is like a math equation.

- “Compliance Obligation” minus “Instruments Retired” equals “Balance to Fulfill Obligation.”
- “Balance to Fulfill Obligation” minus “Instruments in Compliance Account to be Retired” equals “Additional Instruments Needed in Compliance Account” to fulfill the obligation.

To assist account representatives, CITSS evaluates the compliance obligation information and determines a Pending Compliance Status. “Pending Unfulfilled” indicates there are not sufficient instruments in the compliance account to satisfy the obligation. “Pending Fulfilled” indicates there are sufficient instruments in the compliance account to satisfy the obligation.

Instruments in Compliance Account to be Retired

The “Instruments in Compliance Account to be Retired” section lists the type and number of instruments that CITSS will retire at the compliance deadline.

Remaining True-up Quantity

“Remaining True-up Quantity” is the balance of unused true-up quantity. “Remaining True-up Quantity” is the maximum number of allowances of the Assigned Vintage that an entity can use as eligible allowances toward fulfillment of the current obligation. “Remaining True-up Quantity” remains useable until the Assigned Vintage becomes current and the true-up process is no longer required for the allowances to be eligible.

Facility Emissions

The “Facility Emissions” section identifies the facilities and emissions that contribute to the compliance obligation.

Assigned True-up Quantity

“Assigned True-up Quantity” is the initial value assigned to adjust for a change in production or required allocation.