

# California Cap-and-Trade Program and Québec Cap-and-Trade System

## 2022 Annual Auction Reserve Price Notice Issued on December 1, 2021

### Auction Summary

The California Air Resources Board (CARB) and the Québec ministère de l'Environnement et de la Lutte contre les changements climatiques<sup>1</sup> (MELCC) will hold joint auctions of greenhouse gas (GHG) allowances in 2022. This document, 2022 Annual Auction Reserve Price Notice, specifies the California (CA) and Québec (QC) 2022 Annual Auction Reserve Prices and the number of allowances to be offered in 2022 for the quarterly auctions as part of the Current Auction and Advance Auction. The 2022 quarterly GHG allowance auctions will offer 2022 vintage allowances and 2025 vintage allowances for sale.

The 2022 Annual Auction Reserve Prices<sup>2</sup> and the number of 2022 and 2025 vintage allowances to be offered for sale in 2022 are shown in Table 1 below.

**Table 1: 2022 Auction Data**

Auction	Number of Allowances to be Offered	CA Annual Auction Reserve Price (USD)	QC Annual Auction Reserve Price (CAD)
Current Auction (2022 vintage)	228,617,761	\$19.70	\$18.69
Advance Auction (2025 vintage)	31,771,000	\$19.70	\$18.69

### Annual Auction Reserve Prices

The Annual Auction Reserve Prices refer to the minimum prices set and released annually by each jurisdiction in accordance with Section 95911 of the California Cap-

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<sup>1</sup> Ministry of the Environment and the Fight against Climate Change.

<sup>2</sup> The term "Annual Auction Reserve Price" will be used throughout this document to refer to the "minimum price" as defined in the Québec cap-and-trade regulation.

and-Trade Regulation and Article 49 of the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances (Québec Regulation). The respective Annual Auction Reserve Prices for California and Québec will be used to determine the Auction Reserve Price for each joint auction by applying the Auction Exchange Rate as discussed below.

The Annual Auction Reserve Price for each jurisdiction is equal to the Annual Auction Reserve Price for the previous calendar year increased by 5 percent plus the rate of inflation as measured by the Consumer Price Index (CPI). Each jurisdiction uses a jurisdiction-specific CPI in accordance with its respective regulation.

**Table 2. Annual Auction Reserve Prices**

<b>Jurisdiction</b>	<b>2021 Annual Auction Reserve Price</b>	<b>Consumer Price Index</b>	<b>2022 Annual Auction Reserve Price</b>
California (USD)	\$17.71	6.22%	\$19.70
Québec (CAD)	\$17.36	2,64%	\$18.69

### **Auction Exchange Rate and Auction Reserve Price**

Entities registered under the Québec Cap-and-Trade System (QC entities) may participate in joint auctions in either United States Dollars (USD) or Canadian Dollars (CAD). To manage multiple currencies, an Auction Exchange Rate is determined prior to each joint auction. The Auction Exchange Rate (USD to CAD FX Rate) in effect the day of a joint auction and for financial settlement by qualified bidders will be determined the business day prior to each joint auction as the most recently available daily average exchange rate<sup>3</sup> for U.S. and Canadian dollars as published by the Bank of Canada, and will be displayed in the Auction Platform.

The Auction Reserve Price will be determined as the higher of the Annual Auction Reserve Prices established in U.S. and Canadian dollars after applying the established Auction Exchange Rate (USD to CAD FX Rate).

### **Current Auction Allowances Offered for Sale**

As indicated in Table 1, the number of allowances to be offered for sale in 2022 Current Auctions includes the approximate number of 2022 vintage allowances to be offered for

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<sup>3</sup> This refers to the daily average exchange rate for U.S. and Canadian dollars as published by the Bank of Canada.

sale. This number includes the total number of allowances jurisdictions offer for sale and the allowances to be consigned by California electrical distribution utilities and natural gas suppliers (consigning entities).

**Table 3: 2022 Allowances Offered by Jurisdictions and Consigning Entities**

<b>Auction</b>	<b>Number of Allowances to be Offered by Jurisdictions</b>	<b>Number of Allowances to be Offered by Consigning Entities</b>
Current Auction (2022 vintage)	146,177,931	82,439,830

A portion of the total number of allowances offered for sale in 2022 by each jurisdiction, as provided in Table 1, may be offered for sale at each auction. California consigning entities are required to notify CARB 75 days before each auction of the number of allowances they intend to consign. Allowances from California consigning entities not consigned in the first three auctions in 2022 will be included in the November 16, 2022 auction.

The actual quantity of allowances in the Current Auction may fluctuate during the year. Additionally, the vintages and types of allowances offered for sale may vary. There are several factors that may account for these fluctuations and variations in the allowances offered for sale at each auction arising out of each of the jurisdiction's regulatory provisions. Current Auction allowances may come from allowances issued under the California Cap-and-Trade Program and the Québec Cap-and-Trade System that remain unsold from an undersubscribed<sup>4</sup> Current Auction in prior years and are returned to auction after two consecutive Current Auctions have resulted in a settlement price above the Auction Reserve Price.<sup>5</sup> Additional allowances may also be made available for auction from closed Compliance Instrument Tracking System Service (CITSS) accounts, allowances submitted for untimely surrender obligations, and the potential return of freely allocated allowances (distributions free of charge). In each of these situations, the vintages of the allowances may not be the same as the current calendar

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<sup>4</sup> An undersubscribed auction is an auction with total qualified bids less than the total allowances offered for sale.

<sup>5</sup> For specific treatment of unsold allowances in California's program, see the [Guidance on Treatment of Unsold Allowances](#) on the CARB [Auction Information](#) webpage.

year, or the allowances may be an allowance type with no vintage if they were purchased from a jurisdiction's Reserve Sale.<sup>6</sup>

Information on the specific quantity of allowances by vintage and type available for sale in Current Auctions will be made available in each Auction Notice, which is posted at least 60 days prior to each joint auction on the [CARB Auction Information](#) webpage and [Québec Auction Information](#) webpage.

Allowances are transferred to successful bidders following completion of financial settlement. Successful bidders will receive awarded allowances, including the quantity of each allowance vintage or type, based on the proportion of the quantity of each jurisdiction's contribution to the total allowances offered in the auction. For example, in a simple case where the Current Auction allowances are all the same vintage and if the allowances offered for sale in the Current Auction included 75 percent California 2022 vintage allowances and 25 percent Québec 2022 vintage allowances, each bid lot of 1000 allowances received would include 750 California and 250 Québec allowances.

The same concept applies to a more complex case to determine the composition of each lot of allowances awarded. For example, if the Current Auction includes multiple vintages (continue to assume that the allowances offered are still split 75-25 between the jurisdictions) where the Québec portion includes 40 percent 2020 allowances and 60 percent 2022 allowances, each awarded bid lot of 1000 allowances would include 750 California 2022 vintage allowances, 100 Québec 2020 vintage allowances, and 150 Québec 2022 vintage allowances. This example can be expanded if there are more than two allowance vintages or types for a jurisdiction.

In a situation where there are not enough allowances awarded of a specific vintage or type offered for sale to evenly distribute across all successful bidders, the number of allowances assigned to successful bidders is determined by multiplying the successful bidder's share of Current Auction qualified bids by the number of allowances of that specific allowance vintage or type awarded, rounded to the nearest whole number. Assignments of allowances may be adjusted by no more than one allowance added to or removed from the total allowances assigned until the number of allowances assigned to successful bidders equals the number of allowances of the specific vintage or type awarded.

### **Advance Auction Allowances Offered for Sale**

The Advance Auction budget represents 10 percent of the allowances from each of the jurisdiction's allowance budgets that are created for the year three years subsequent to

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<sup>6</sup> In this document, Québec Sales by Mutual Agreement is referred to as 'Reserve Sales' for simplicity.

the current calendar year. Since the combined annual allowance budget in 2025 is 317,710,000, the Advance Auction combined budget for auctions conducted in 2022 is 31,771,000 2025 vintage allowances. These future vintage allowances will be equally divided for sale across the four Advance Auctions conducted in 2022.

### Quarterly Auction Information

An Auction Notice will be published at least 60 days prior to each auction. The Auction Notice provides information about the number of GHG allowances to be offered and the auction schedule for the applicable auction.

Additional background information, detailed instructions, and examples will be available in two supporting documents, which will include information applicable to the 2022 auctions:

- 1) The **Detailed Auction Requirements and Instructions** document will provide background information on the California Cap-and-Trade Program and Québec Cap-and-Trade System, as well as detailed requirements and instructions for participating in a joint auction.
- 2) The **Auction Examples** document will provide information and examples of how United States (U.S.) and Canadian currencies are managed, how to determine the amount of a bid guarantee, bid evaluation procedures for purchase limits, holding limits, and bid guarantees, and examples of auction bid fulfillment.

The Auction Notices and supporting documentation will be available on the [CARB Auction Information](#) webpage and [Québec Auction Information](#) webpage. Table 4 provides information specific to the scheduled quarterly auctions.

**Table 4. California and Québec 2022 Quarterly Joint Auction Critical Dates**

<b>Auction Dates</b>	<b>Auction Consignment Due Date for Consigning Entities</b>	<b>Auction Notice Posting Date Auction Application Period Opens</b>	<b>Auction Application Due Date Auction Application Period Closes</b>
February 16, 2022	December 3, 2021	December 17, 2021	January 18, 2022
May 18, 2022	March 4, 2022	March 18, 2022	April 19, 2022
August 17, 2022	June 3, 2022	June 17, 2022	July 18, 2022
November 16, 2022	September 2, 2022	September 16, 2022	October 17, 2022

## Contact Information

For further information about the Annual Auction Reserve Price, the Auction Reserve Price Determination for a joint auction, or the Current Auction and Advance Auction allowance budgets for auctions conducted in 2022, please contact one of the following<sup>7</sup>:

California Cap-and-Trade Program  
Chinghang (Candy) Tong, California Air Resources Board  
[ctong@arb.ca.gov](mailto:ctong@arb.ca.gov)  
(916) 277-0465

Québec Cap-and-Trade System  
Ministère de l'Environnement et de la Lutte contre les changements climatiques  
[EncheresGES-qc@environnement.gouv.qc.ca](mailto:EncheresGES-qc@environnement.gouv.qc.ca)  
(418) 521-3868 ext 7400  
1 (800) 561-1616 ext 7400

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<sup>7</sup> When contacting jurisdiction staff, please take precautions when submitting personal or confidential information. If it is necessary to transmit personal or confidential information, please contact listed jurisdiction staff for information on how to provide this information securely.