



Reserve Sale Notice
California Cap-and-Trade Program
Sale of Greenhouse Gas Allowances from the
Allowance Price Containment Reserve
on October 2, 2018
Issued on August 31, 2018

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 (Reserve) on October 2, 2018 (Reserve Sale Notice), is the official notification for the October 2, 2018, greenhouse gas (GHG) allowance reserve sale (October 2018 Reserve Sale). The October 2018 Reserve Sale will offer allowances from the Reserve (Reserve allowances) for sale in three fixed-price tiers. In the Compliance Instrument Tracking System Service (CITSS), the October 2018 Reserve Sale is identified by the title October 2018 Reserve Sale 20.

Except for the Reserve sale immediately preceding the compliance obligation instrument surrender deadline on November 1, a Reserve sale will only be offered if the Current Auction held in the preceding quarter resulted in a settlement price greater than or equal to 60% of the lowest Reserve tier price.

Additional background information, detailed instructions, and examples are posted in two supporting documents to provide information for 2018 reserve sale events. The [Detailed Reserve Sale Requirements and Instructions](#) (updated August 31, 2018) document provides background information on the California Cap-and-Trade Program as well as detailed requirements and instructions for participating in a reserve sale, including eligibility, applicant requirements, submitting a bid guarantee, bidding, and a description of the process to complete reserve sale financial settlement and transfer of allowances.

The [Reserve Sale Examples](#) (updated August 31, 2018) document provides information and examples of how to determine a bid guarantee amount, bid evaluation procedures for holding limits and bid guarantees, and examples of reserve sale bid fulfillment and purchase determinations.

Notification of New Regulatory Changes Affecting Reserve Sale Services

As of October 1, 2017, changes to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms (Regulation) went into effect, related to offering Reserve sales.

Section 95913(d)(1) of the Regulation describes conditions under which Reserve sales will be offered.

Beginning January 1, 2018, allowances designated by CARB for auction pursuant to section 95911(f)(3) that remain unsold for more than 24 months are transferred to the Reserve. Pursuant to section 95913(f)(1) all allowances transferred to the Reserve pursuant to section 95911(g) are offered at the highest-priced tier.

Date and Time of Reserve Sale

The October 2018 Reserve Sale is scheduled to take place on Tuesday, October 2, 2018 from 10:00 AM Pacific Time (PT) until 1:00 PM PT.

The Auction Platform can be accessed at <https://www.wci-auction.org/ca>.

Reserve Allowances Offered for Sale

The number of Reserve allowances that will be available for sale during the October 2018 Reserve Sale is provided in Table 1.

Table 1: Reserve Allowances in Reserve¹

| Tier Prices | Number of Reserve Allowances |
|--------------------------------|-------------------------------------|
| Tier 1 - \$54.26 per allowance | 40,611,000 |
| Tier 2 - \$61.06 per allowance | 40,611,000 |
| Tier 3 - \$67.83 per allowance | 40,611,000 |

Reserve Sale Application Requirements and Instructions

I - Eligibility

California covered entities and opt-in covered entities are eligible to participate in the October 2018 Reserve Sale. Voluntarily associated entities and individuals are not eligible to participate in reserve sales. .

¹ Pursuant to Assembly Bill 398 (AB 398, Chapter 135, Statutes of 2017), CARB has set aside two-thirds of the allowances available in the APCR as of December 31, 2017, to establish price containment points that will become effective on January 1, 2021. See Health & Safety Code section 38562(c)(2)(B). In addition, 22,082,753 allowances transferred to the Reserve pursuant to section 95911(g) will be offered at the highest-priced tier for the October 2018 Reserve sale.

II – Reserve Sale Application Requirements

An entity applying for approval as a reserve sale participant must be registered under the California Cap-and-Trade Program and have a CITSS General Holding Account that has not been revoked² or suspended.

Entities submit reserve sale applications in CITSS. CITSS can be accessed at <https://www.wci-citss.org>. An entity is required to complete a reserve sale application in CITSS at least 20 days prior to a reserve sale to confirm its intent to participate. Information submitted in the reserve sale application process in CITSS includes the following:

- a) Confirmation of the reserve sale event in which the participant intends to bid
- b) Information on the form(s) of bid guarantee, currency³, and return instructions

After entering the information listed above, reserve sale applications are then confirmed and submitted in CITSS.

Reserve sale application information also includes information submitted in the process of obtaining a CITSS account:

- a) Corporate identity, ownership, and capital structure of the applicant
- b) The existence of any direct or indirect corporate associations
- c) An allocation of the purchase limit and holding limit among associated entities, if applicable

Reserve sale application requirements are described in further detail in the Detailed Reserve Sale Requirements and Instructions (updated August 31, 2018) document.

Reserve Sale Schedule

Table 2 presents the current schedule for activities associated with the October 2018 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 PAR and AARs of entities that have been qualified bidders in past events or that have submitted an event application to an upcoming event.

² The account must not be revoked or suspended in accordance with Sections 95814(a), 95832(f)(4), 95835(c)(2), 95921(g)(3), or 96011 of the Regulation. A revoked account has a status of “Closed” in CITSS.

³ Only USD can be selected.

Table 2: Reserve Sale Schedule

| Activities | Due Date | Time - Pacific Time (PT) |
|--|--|---|
| Reserve Sale Notice released/ Reserve Sale application period opens | Friday, August 31, 2018 | 12:00 PM (Noon) PT |
| Reserve sale application period closes | Wednesday, September 12, 2018 | 11:59 PM PT |
| All bid guarantees due to Financial Services Administrator | Thursday, September 20, 2018 | No later than 3:00 PM PT |
| Reserve sale participants approved and PAR and AARs notified | Friday, September 28, 2018 | |
| Reserve sale held | Tuesday, October 2, 2018 | Bidding window open from 10:00 AM – 1:00 PM PT |
| Reserve Sale Summary Results Report released | Friday, October 5, 2018 | 12:00 PM (Noon) PT |
| Reserve Sale Certified / Reserve Sale results available to qualified bidders | Friday, October 5, 2018 | 12:00 PM (Noon) PT |
| Financial settlement in cash due to Financial Services Administrator | Friday, October 12, 2018 | No later than 3:00 PM PT |
| Transfer of Reserve allowances into CITSS Compliance Accounts | Wednesday, October 24, 2018 | |
| Earliest date for bid guarantee expiration | Monday, October 29, 2018 (26 days after reserve sale) | |

Procedures for Conducting the Reserve Sale

Each reserve sale will be conducted using an electronic, internet-based Auction Platform that bidders use to submit bids.

As described above, each entity must submit a reserve sale application to confirm its intent to bid in a reserve sale. Financial Services Delivery Instructions will be available from CITSS, and 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. The California Air Resources Board (CARB) 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.

Procedures for conducting the reserve sale are described in further detail in the Detailed Reserve Sale Requirements and Instructions (updated August 31, 2018) document with specific examples provided in the Reserve Sale Examples (updated August 31, 2018) document.

Form and Manner for Submitting Bids

Participants will be able to submit bids manually and upload bid schedules in a pre-defined Excel template in the Auction Platform during the bidding window. Bid quantities can only be submitted in multiples of 1,000 allowances, i.e. 1 bid lot equals 1,000 allowances. The form and manner for submitting bids are described in further detail in the Detailed Reserve Sale Requirements and Instructions (updated August 31, 2018) document with specific examples provided in the Reserve Sale Examples (updated August 31, 2018) document.

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 CARB at the close of the application period, at the due date for submittal of bid guarantees, or at the deadline for CARB 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, CARB will post a notification on the CARB Reserve Sale Information webpage no later than two (2) days prior to the scheduled reserve sale.

Reserve Sale Participant Training Materials

A [Reserve Sale Participant Training Presentation](#) (updated August 31, 2018) is available on the CARB Reserve Sale Information webpage. The presentation includes information on 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), and an Auction and Reserve Sale Platform User Guide.

Additional Information

Additional information on the California Cap-and-Trade Program is available on CARB webpages as follows:

Cap-and-Trade Program: <https://www.arb.ca.gov/cc/capandtrade/capandtrade.htm>

Reserve Sale Information:

<https://www.arb.ca.gov/cc/capandtrade/reservesale/reservesale.htm>

CITSS Information: <https://www.arb.ca.gov/citss>

For questions regarding the California Cap-and-Trade Program, please contact the California Air Resources Board Cap-and-Trade Hotline at (916) 322-2037.

Reserve Sale Contact Information

For further information about participation in the October 2018 Reserve Sale, please contact one of the following individuals:

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