



QUÉBEC'S CAP AND TRADE SYSTEM FOR GREENHOUSE GAS EMISSION ALLOWANCES

AUCTION NOTICE

March 4, 2014

Auction date and time	Tuesday March 4, 2014 From 1 PM to 4 PM
Number of emission units of current vintage year (2014) available for sale:	1 049 111 units
Number of emission units of future vintage year (2017) available for sale:	1 527 000 units
Minimum price:	11.39 \$ CAD

*Développement durable,
Environnement,
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Québec 



Introduction

This Notice is the official notification to emitters and participants registered with the Québec government's Cap and Trade System for Greenhouse Gas Emissions Allowances that an auction for emission units will be held Tuesday March 4, 2014.

Auction Eligibility

All emitters and participants registered with the Québec Cap and Trade System for Greenhouse Gas Emissions Allowances who hold an account in the GHG emissions allowance Compliance Instrument Tracking System Service (CITSS) are eligible to participate in the auction.

Emission Units Offered for Sale

The number of emission units that will be available for sale during the auction is 1 049 111 units for the current vintage year (2014) and 1 527 000 units for a future vintage year (2017).

The total number of emission units of vintage 2014 that will be available for sale is based on the cap of emission units fixed by Order in Council, the number of emission units placed in the Minister's reserve account and the total estimated quantity of emission units that may be allocated without charge for 2014. The calculation also takes into account the fact that four auctions are scheduled to take place during 2014.

Emission units of vintage 2014 and vintage 2017 that will be available for sale during the March 4, 2014 auction represent a quarter of the emission units that will be sold in 2014 by the Government of Québec.



Auction Schedule

The following Table presents the current schedule for all events associated with the March 4, 2014 auction. Any changes to this will be communicated by email to Québec CITSS registrants.

Auction Schedule

Event	Date	Time
Publication of Auction Notice and beginning of the auction application period in the Auction Platform	Friday, January 3, 2014	
Auction participant training webinar	Wednesday, January 15, 2014	9:30 AM to 12 PM (noon)
Deadline for making changes in the CITSS and for submitting all paper documents accompanying these changes to the Québec CITSS registrar.	Thursday, January 23, 2014	23:59 PM
Deadline for registering in the Auction Platform	Monday, February 3, 2014	23:59 PM
Deadline for submitting bid guarantees to Financial Services Administrator	Thursday, February 20, 2014	5 PM
Québec authorities approve auction registrations	Friday, February 28, 2014	5 PM
Auction	Tuesday March 4, 2014	1 PM to 4 PM
Publication of auction results for participants	Friday, March 7, 2014	12 PM (noon)
Deadline for sending complete payment for awarded emission units to the Financial services administrator of Québec	Friday, March 14, 2014	5 PM
Transfer of emission units into CITSS Accounts	Friday, March 21, 2014	

Note : Bid guarantees must be valid at least until March 25, 2014.



Instructions for Registering for the Québec Auction

Step 1: Account opening and modification of information in the CITSS

To take part in the auction, emitters and participants must have an account with the GHG emissions allowance Compliance Instrument Tracking System Service (CITSS). To do this, an emitter or a moral person participant must first have at least two account representatives who are mandated to represent it with the Québec government. Once the individual users' registration requests are completed and approved, one of the account representatives must submit a request to open an account on behalf of the emitter or moral person participant. In the case of a natural person registering in Québec, only one account representative is necessary for the account opening request. All documentation supporting an account opening or a modification of information pertaining to a user registration or account opening must be received by the Québec CITSS Registrar no later than January 23, 2014.

Step 2: Indication of intention to participate in the next auction in the CITSS


The "Auction" tab on the emitter or participant's account page in the CITSS allows account representatives registered in Québec to indicate the intention of the emitter or participant to participate in the next auction.

By selecting the "Auction Participation" box and indicating such intention, the account representative agrees, on behalf of the emitter or participant he/she represents, to have the name, contact information and account numbers of the emitter or participant, and the names, phone numbers and email addresses of account representatives transferred to the Auction Administrator and Financial Services Administrator mandated by the government of Québec. Then, all these account representatives will be allowed to participate in the auction on behalf of the emitter or participant they represent. This step must be completed no later than February 2, 2014. If you have participated in the previous auction, your intention to participate in this one remains active by default.

Step 3: Apply for the Auction on the Auction Platform

Important: This step must be completed in the Auction platform for every auction, even if you have already completed it at a previous auction.

Account representatives of emitters and participants registered in Québec, who have indicated in the CITSS their intention to participate in the next auction, will receive an email from the Auction Administrator with a link that will enable them to register as users on the Auction Platform. Once connected to the Auction Platform, account representatives will have to indicate in which auction they want to participate (Québec March 4, 2014 Auction), and must complete a registration



form online. Once the review of applications by the Québec authorities is completed, emitters and participants whose applications have been accepted will be notified by email by the Auction Administrator. This step must be completed no later than February 3, 2014.

Action platform address: <https://www.wci-auction.org/qc>

Training Material and Webinar

Emitters and participants who have completed the application process can access the documents supporting the auction directly from the Auction Platform.

An invitation to the training webinar that will be held on Wednesday, January 15, 2014, from 9 AM to 9:30 AM to 12 PM (noon) will be sent to all users registered in the CITSS in Québec.

Instructions for joining the webinar along with the training material will be transmitted before the event to people who previously registered to the webinar.

Instructions to Participate in the Auction

Emitters and participants application approval process

All emitters and participants who are registered with the Québec Cap and Trade System for Greenhouse Gas Emissions Allowances, who have an account in the CITSS, and who have indicated their intention to participate in the next auction are eligible to do so.


Holding limit and purchase limit

The holding limit is the maximum number of emission units that may be held by an emitter or participant. The holding limits that will be used for auction results validation will be those that appear in the CITSS account of each emitter and participant, for emission units of the current vintage year (2014) and the future vintage year (2017) that will be on sale.

The purchase limit is the maximum amount of emission units that can be purchased by an emitter or participant at auction.

The purchase limits for the auction of current vintage emission units are as follows:

- 15% of the emission units offered for auction in the case of an emitter who is eligible for the allocation of emission units free of charge;
- 40% of the emission units offered for auction in the case of an emitter who is not eligible for the allocation of emission units free of charge; and

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- 4% of the emission units offered for auction in the case of a participant.

The purchase limit for future vintage emission units (2017) is 25 percent of the emission units offered for auction for all participants.

Bid Guarantee

Participants to the Québec Cap and Trade System for Greenhouse Gas Emissions Allowances must submit, in Canadian Dollars, one or a combination of the following forms:

- A wire transfer or a draft from a bank constituted under the Bank Act or from a financial services cooperative constituted under the Act respecting financial services cooperatives;
- An irrevocable letter of credit issued by a bank constituted under the Bank Act or by a financial services cooperative constituted under the Act respecting financial services cooperatives;
- A letter of guarantee issued by a bank constituted under the Bank Act or by a financial services cooperative constituted under the Act respecting financial services cooperatives.

The Auction Platform allows emitters and participants to select the form of bid guarantee they wish to submit during the application process. You are advised to contact your bank or financial services cooperative as soon as possible to ensure that the deadline for submitting bid guarantees is met.

The amount of the bid guarantee will be used to establish the maximum total value of the bids that will be accepted during the auction. For the March 4, 2014 auction, bid guarantees must be submitted in Canadian Dollars only. **For more details on bid guarantee submittal, please refer to the *Auction and Sale by Mutual Agreement by the Minister Platform User Guide* available on the website of the Ministère du Développement durable, de l'Environnement, de la Faune et des Parcs.**

Bidding at the Auction

The Auction will be held on the March 4, 2014. Bids can be submitted through the Auction Platform during the 3-hour bidding window, from 1 PM to 4 PM on the day of the auction. Prior to the auction, a countdown clock on the Auction Platform will indicate the amount of time remaining until the bidding starts. Once the auction begins, a countdown clock will indicate the amount of time left until it ends.

Emitters and participants registered with the Québec Cap and Trade System for Greenhouse Gas Emissions Allowances will be able to submit bids during the bidding window either manually or by uploading bid schedules in a pre-defined



Excel template. For each auction, please make sure to download a new pre-defined Excel template due to possible updates. For each bid submitted, the following information is required: the vintage year, the number of lots (1 lot = 1 000 emission units), and the bid price (price for one emission unit). Bid price must be greater or equal to the minimum price of 11.39 \$ CAD.

The total amount of emission units will be calculated based on the number of lots listed. The auction will be held in whole Canadian Dollars and whole cents. Emitters and participants registered with the Québec Cap and Trade System for Greenhouse Gas Emissions Allowances are allowed to submit as many bids as they wish during the bidding window. They will also be able to edit or withdraw their bids during that period. Once the auction bidding window has been closed, no further bids may be entered and no changes to bids can be made.

To determine the results and the settlement price of the auction, the Auction Administrator evaluates all submitted bids to ensure that they respect the minimum price, purchase limits, holding limits and bid guarantees submitted. For the Auction, emission units will be awarded beginning with the highest bid and proceeding to successively lower bids, until all available units have been awarded or until reaching the minimum price. The settlement price is determined by the offer that allows for the sale of the last emission units available.


The Government of Québec and the body responsible for market monitoring will examine all submitted bids.

Auction Results

An email inviting participants to consult the results of the auction will be sent on March 7, 2014, when the Government of Québec has approved the auction results. The results will be published on March 7, 2014 at noon on the website of the Ministère du Développement durable, de l'Environnement, de la Faune et des Parcs. In the event of a delay in the approval process of the auction results, the deadline for financial settlement would also be delayed so that payment is expected seven days after the results are published.

Financial Settlement

The auction settlement price, the number of emission units awarded to each winning bidder and the total purchase cost will be available in the Auction Platform at the same time as the auction results. To proceed with the payment of awarded emission units, bid guarantees submitted by wire transfer will be applied to the total amount due. If any funds remain in the bank account after the payment of emission units, they will be promptly returned to the participant under the wire instructions provided during the registration to the auction process. Bid guarantees in the form of irrevocable letters of credit and letters of guarantee will



be sent directly to the emitter or participant based on the delivery instructions specified during the auction application process, upon receipt of final payment by wire transfer. The deadline for final payment of awarded emission units is Friday, March 14, 2014 at 5 PM. This is the date and time at which payments must be received by the Financial Services Administrator mandated by the Government of Québec. The emission units purchased will be transferred into each participant's CITSS Holding Account when final payments are completed.

Contact Information

If you have any questions regarding registration or your participation in the auction, please contact Customer Services at the Ministère du Développement durable, de l'Environnement, de la Faune et des Parcs

Phone: 418 521-3830 or 1 800 561-1616 (option 5).

Email: info@mddefp.gouv.qc.ca.

Hours of operation:

Monday, Tuesday, Thursday and Friday: 8:30 AM to 12 PM and 1 PM to 4:30 PM

Wednesday: 10 AM to 12 PM and 1:00 PM to 4:30 PM