

CA-QC Practice Auction Summary Report Released on August 14, 2014

Practice Auction Summary

The California Air Resources Board (ARB) and the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques¹ (MDDELCC) held a practice joint auction of greenhouse gas (GHG) allowances on Thursday, August 7, 2014. California covered entities, opt-in covered entities, and voluntarily associated entities (CA entities), and Québec emitters and participants (QC entities) were eligible to participate in the California-Québec Practice Auction (CA-QC Practice Auction). No money or allowances changed hands during the CA-QC Practice Auction. The intent of the CA-QC Practice Auction was to introduce stakeholders to the anticipated processes and materials for a joint auction, and pave the way to holding the first joint GHG allowance auction. During the practice joint auction, the jurisdictions were able to successfully test and stress the auction platform and procedures under real world conditions with program participants.

1. CA-QC Practice Auction Statistics:

Provided below is a summary of relevant statistics from the CA-QC Practice Auction:

- Quantity of Allowances Presented as Offered for Sale:
 - 25 million current vintage (2014) allowances
 - 15 million future vintage (2017) allowances
- Number of qualified bidders: 28
- CA Annual Announced Reserve Price: \$11.34 United States Dollars (USD)
- QC Annual Announced Reserve Price: \$11.39 Canadian Dollars (CAD)
- Auction Exchange Rate: 1.0926 USD to CAD
- Auction Reserve Price for Current Auction and Advance Auction: \$11.34 USD / \$12.39 CAD per allowance

2. CA-QC Practice Auction Participation:

There were 28 qualified bidders for the August 7, 2014, CA-QC Practice Auction, including:

- 23 Covered entities, Opt-in Covered entities, and Emitters
- 5 General Market Participants

General Market Participants refer to all voluntarily associated entities as defined in the California Cap-and-Trade Program and participants as defined in the Québec

¹ Ministry of Sustainable Development, Environment and the Fight against Climate Change

Cap-and-Trade System. A General Market Participant may include a General Market Participant - Organization or General Market Participant - Individual.

3. CA-QC Practice Auction Overview:

The auction processes and procedures were applied correctly. CA-QC Practice Auction participant information was transmitted from the Compliance Instrument Tracking System Service (CITSS) to the Auction Administrator and participants successfully logged in to the Auction Platform, confirmed their intent to bid, and submitted their CA-QC Practice Auction application. During the application process, QC entities selected the currency in which they would participate: CAD or USD. No actual bid guarantees were submitted for the CA-QC Practice Auction. Bid guarantees were set by ARB and MDDELCC at \$50 million for CA entities and QC entities participating in USD, and \$55 million for QC entities participating in CAD.

During the CA-QC Practice Auction, support was provided by the Auction Administrator help desk and WCI, Inc.'s CITSS help desk. The participants were able to successfully bid in the Auction Platform during the 3-hour bidding window by placing bids manually, and also by uploading bids using the pre-formatted bids upload template.

The jurisdictions and the independent market monitor for both jurisdictions monitored the activity of the CA-QC Practice Auction as in any other auction. CA-QC Practice Auction participants continue to be advised to maintain any information about their participation in the CA-QC Practice Auction, including their bidding strategy, as confidential, as they would for any real auction.

No entity results will be released and no financial settlement will be completed for the CA-QC Practice Auction. Entities can download the Organization Results Report and Financial Statement from the Reports Module of the Auction Platform by selecting the appropriate report title and the CA-QC Practice Auction event. These reports will not be populated with any actual data for the CA-QC Practice Auction and are available in template form only to illustrate how the auction financial settlement invoices will be received.

Following a joint auction, a Public Summary Results Report will be issued by ARB and MDDELCC and will include information for both the Current and Advance Auctions such as the settlement prices, allowances offered for sale, allowances purchased, and additional auction statistics. However, the settlement price, number of allowances sold, and bid statistics, which are all typically included in the Public Summary Results Report, will not be announced for the CA-QC Practice Auction as it may influence or mistakenly be understood to represent real market conditions.

This CA-QC Practice Auction Summary Report is the only post-auction report that will be issued for the CA-QC Practice Auction.

4. CA-QC Practice Auction Survey:

On Friday, August 8, through Tuesday, August 12, a short survey of CA-QC Practice Auction participants was conducted by ARB and MDDELCC. The responses to the CA-QC Practice Auction survey are summarized below.

Question	Percent Yes	Percent No
Did you add a bid through the manual bid entry process on the Auction (bidding) page?	69.2%	30.8%
Did you use the bid schedule upload process to upload multiple bids?	53.9%	46.1%
Did you view the Frequently Asked Questions, Users Guide, or Training Presentation available through the Auction Platform?	53.9%	46.1%
Did you find the Frequently Asked Questions, Users Guide, or Training Presentation available through the Auction Platform helpful?	87.5%	12.5%

Question	Excellent	Very Good	Good	Average	Poor
Please provide an overall rating of the training materials and information provided in the Auction Platform.	25.0%	50.0%	16.7%	8.3%	0.0%
Please provide an overall rating of the presentation of Auction Platform content.	30.8%	38.5%	23.1%	7.6%	0.0%
Please rate your overall experience using the Auction Platform.	30.8%	46.1%	15.4%	0%	7.7%

Question	Extremely Easy	Very Easy	Moderately Easy	Not very easy	Not At All Easy
Was the CA-QC Practice Auction application process easy to follow?	38.5%	30.8%	30.7%	0%	0%
Did you find the CA-QC Practice Auction Templates easy to use?	38.5%	38.5%	15.4%	7.6%	0%
Was the Auction (bidding) screen easy to use?	61.5%	23.1%	15.4%	0%	0%
Was the manual bid entry process on the Auction (bidding) page easy to use?	70.0%	10.0%	20.0%	0%	0%
Was the bid schedule upload process easy to use?	37.5%	25.0%	25.0%	0%	12.5%

Contact Information

For further information about the CA-QC Practice Auction Summary Report, please contact one of the following:

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