

Notice of Sale by Mutual Agreement

Notice of Sale by Mutual Agreement of GHG Emissions Units With Respect to the Cap-and-Trade System for GHG Emission Units To Be Held September 22, 2015

Published July 24, 2015

Sale by Mutual Agreement Summary

This document, Notice of Sale by Mutual Agreement of Greenhouse Gas Emissions Units With Respect to Québec's Cap-and-Trade System for Greenhouse Gas Emissions Units to be held on September 22, 2015 (SBMA Notice), is the official notification for the September 22, 2015, greenhouse gas (GHG) emissions units sale by mutual agreement. The September 2015 Sale by Mutual Agreement will offer reserve emissions units for sale in three fixed-price, equal-sized categories. In the Auction and Sale by Mutual Agreement Platform (Auction Platform),¹ the September 2015 Sale by Mutual Agreement is identified by the title "September 2015 Sale by Mutual Agreement."

The September 2015 Sale by Mutual Agreement will be held from 1:00 p.m. to 4:00 p.m. Eastern Daylight Time (EDT). This Notice provides information about eligibility, the sale by mutual agreement format, and emissions units offered for sale.

Emissions Units Offered and Prices

The number of emissions units that will be available for sale during the September 2015 Sale by Mutual Agreement is provided in **Table 1**. All offers and associated transactions will be conducted in Canadian dollars.

Table 1 : Emissions Units Sold and Prices

Category	Number of Emissions Units	Prices (Canadian dollars)
A	6 661 766	44,96 \$
B	6 661 766	50,58 \$
C	6 661 766	56,20 \$

The emissions units offered are delivered through Québec's cap-and-trade system for GHG emissions units. During a sale by mutual agreement, emissions units are divided equally among three categories (A, B, and C), and their prices are set in accordance with the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances (Québec's regulation).

Attachment A to this SBMA Notice includes the detailed requirements and instructions for participating in a sale by mutual agreement. Attachment B to this SBMA Notice provides information and examples of how to determine the amount of a bid guarantee, how holding limits are applied, and examples of how sales by mutual agreement are settled. Attachment A and Attachment B are available from the Ministère du Développement durable, de l'Environnement et

¹ For simplicity, the Auction and Sale by Mutual Agreement Platform is referred to as the Auction Platform in all notices regarding auctions and sales by mutual agreement.

General Terms Used in the SBMA Notice and Attachments

For the purpose of this SBMA Notice and attachments, the following general terms are used to describe systems used and potential sale by mutual agreement participants:

- “Entity” refers to a person, firm, association, organization, partnership, business trust, corporation, limited liability company, company, or government agency.
- “Auction Platform” refers to the electronic platform through which auctions and sales by mutual agreement are conducted, which can be accessed at <https://www.wci-auction.org/qc/en/>.

1. Sale by Mutual Agreement Eligibility

Only emitters registered in the CITSS system in accordance with Québec's regulation whose general account does not contain any emission units that can be used to cover GHG emissions for the first compliance period are eligible for a sale of emission units by mutual agreement.

2. Sale by Mutual Agreement Schedule

Table 2 presents the current schedule for activities associated with the September 2015 Sale by Mutual Agreement (SBMA Schedule). Any changes to the SBMA Schedule will be communicated through an updated Sale by Mutual Agreement Notice and by email to the Primary Account Representatives (PARs) and Alternate Account Representatives (AARs) of Québec CITSS registered entities who have indicated an interest in participating in auctions by selecting the “Auction Participation” box in CITSS.

Table 2 : Sale by Mutual Agreement Schedule

Activities	Due Date	Date – Eastern Daylight Time (EDT)
Sale by Mutual Agreement Notice released / sale by mutual agreement application period opens	Friday July 24, 2015	3:00 p.m. EDT
Deadline for entities to make changes in auction application information in CITSS and to submit all hard copy documents accompanying these changes to the government of Quebec	Friday August 21, 2015	
Sale by mutual agreement application period closes	Friday August 21, 2015	11:59 p.m. EDT
All bid guarantees due to Financial Services Administrator	Thursday September 10, 2015	6:00 p.m. EDT
Sale by mutual agreement participants approved and PAR and AARs notified	Friday September 18, 2015	
Sale by mutual agreement held	Tuesday September 22, 2015	Bidding window open 1:00 p.m. - 4:00 p.m. EDT
Sale by mutual agreement summary results report released	Tuesday September 29, 2015	3:00 p.m. EDT
Sale by mutual agreement certified / Sale results available to qualified bidders	Tuesday September 29, 2015	3:00 p.m. EDT

Activities	Due Date	Date – Eastern Daylight Time (EDT)
Financial settlement in cash due to Financial Services Administrator	Tuesday October 6, 2015	6:00 p.m. EDT
Transfer of emissions units into CITSS Compliance Accounts	Upon reception of payment by purchaser or after the use of all or part of the bid guarantee	
Earliest date for bid guarantee expiration	Monday October 19, 2015 (26 days after the sale by mutual agreement is held)	
Publication of the public summary of the sale by mutual agreement report	Friday November 6, 2015	

The public summary will include the names of the persons registered as purchasers, the settlement price of the emission units, and the total quantity and distribution of the units sold, in non-nominative form.

3. Administrative Requirements

Administrative requirements to participate in a sale by mutual agreement are outlined below.

3.1. Compliance Instrument Tracking System Service (CITSS) Account

An entity must have an approved account in CITSS before applying to participate in a sale by mutual agreement. Additionally, individuals must be approved as either the PAR or an AAR on the entity's account in order to submit an application for the entity and/or bid on behalf of the entity. Potential applicants' CITSS accounts must accurately reflect all required registration information, including a report of corporate associations.

Select the « Auction Participation » box in CITSS

Additionally, to participate in a sale by mutual agreement, the PAR or an AAR must select the "Auction Participation" box in CITSS to allow CITSS account information to be transferred to the Auction and Reserve Sale Administrator (Auction Administrator)² and Financial Services Administrator. Additional information about administrative requirements and sale by mutual agreement participation is provided in Attachment A to this SMBA Notice, available from the Ministry's website.

3.2. PAR/AAR Auction Platform Accounts

Any PAR or AAR authorized by an entity to act on its behalf in a sale by mutual agreement must have an active Auction Platform account. Only those representatives with an active Auction Platform account will be able to access the Auction Platform to submit an application for the entity, submit bids on its behalf during an open bidding window, or download reports specific to the sale by mutual agreement.

² For simplicity, the Auction and Sale by Mutual Agreement Administrator is referred to as the Auction Administrator in all notices regarding auctions and sales by mutual agreement.
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Auction Platform Account Activation

During the application period for each sale by mutual agreement, entity and representative information is transferred to the Auction Administrator for entities that have selected the “Auction Participation” box in CITSS. If an individual has previously activated his or her Auction Platform account, that individual will be able to access the Auction Platform using the established credentials. Representatives that have not previously been indicated as a PAR or AAR on any CITSS account with the “Auction Participation” box selected are sent an email inviting them to activate their Auction Platform account. If a representative does not create an Auction Platform account before the new user activation link expires, the representative will need to contact the Auction Administrator and request that a new link be sent.

Procedures for Conducting the Sale by Mutual Agreement

Each sale by mutual agreement will be conducted using an electronic, internet-based Auction Platform that bidders use to apply to participate in the sale and submit bids.

Each entity must submit an application for each sale by mutual agreement in which it wishes to participate. All changes in entity application information must be submitted at the latest 30 days before the sale by mutual agreement is held. Attachment A to this SBMA Notice includes more detailed requirements related to the disclosure of corporate associations.

To manage bid guarantees and payment for emissions units awarded, the Financial Services Administrator must establish or verify a Financial Services Account for each entity that applies to participate in an auction or reserve sale. Entities that have not previously established a Financial Services Account and those with changes in corporate disclosures may need to provide additional information to the Financial Services Administrator to support the account being established or verified. The Financial Services Administrator will send a request for this data directly to the PAR and AARs on the entity’s CITSS account. Bid guarantees must be received by the Financial Services Administrator before the date and hour indicated in the SBMA Schedule.

The minister will approve or deny applicants for a sale by mutual agreement within two (2) business days prior to the date the sale is scheduled to take place.

Bid quantities can only be submitted in multiples of 1,000 emissions units. Bids must be submitted in one of the three categories, each with a set category price. Bid schedules that include bids for emissions units from more than one category will be allowed. Sales from each category will be conducted in succession, beginning with the lowest-priced category and proceeding to the highest-priced category, until either all available emissions units are sold or all the accepted bids are filled.

Bidders submit a single bid guarantee for all sale by mutual agreement categories. The entity’s total cost for allowances awarded in Category A will be determined and deducted from the bid guarantee amount, and any bid guarantee amount remaining will be applied to Category B. The entity’s total cost for emissions units awarded in Category A and Category B will be determined and deducted from the bid guarantee amount, and any bid guarantee amount remaining will be applied to Category C.

Examples of how sales by mutual agreement are settled are provided in Attachment B to the SBMA Notice, available from the Ministry’s web site.

Form and Manner for Submitting Bids

The September 2015 Sale by Mutual Agreement includes the scheduled opening of the three-hour bidding window in the Auction Platform at 1:00 p.m. EDT and the closing of the bidding window at 4:00 p.m. EDT on September 22, 2015. Participants will be able to submit bids manually and upload bid schedules in a pre-defined Excel template in the Auction Platform during the scheduled bidding window. Additional information on submitting bids is included in Attachment A to this SBMA Notice.

Notification that the Sale by Mutual Agreement Will Not Be Held

If there are no qualified applicants or qualified bidders for any scheduled sale by mutual agreement, that sale will not be held. The determination not to hold a reserve sale can be made by the Minister at three separate moments: (1) the close of the application period; (2) at the due date for submittal of bid guarantees, or (3) at the deadline for approval of participants that is scheduled to occur within two (2) days prior to each reserve sale. If a reserve sale will not be held, the Minister will post a notification on its web site no later than two (2) days prior to the scheduled reserve sale.

Financial Settlement

Entities will complete the financial settlement process with the Financial Services Administrator for all emissions units purchased in a sale by mutual agreement once the sale is certified. Financial settlement must be completed in cash.

The entity's sale results will be available for download through the Auction Platform after certification of the sale as provided in the SBMA Schedule.

For those entities that submitted cash bid guarantees, the Financial Services Administrator will use the cash submitted to settle any amounts owed. For winning bidders that submitted physical bid guarantees (Letter of Credit or Letter of Guaranty), the entity must complete financial settlement in cash within seven (7) days of certification of the sale and availability of the entity's results. The deadline for receiving payment by wire transfer is listed in the SBMA Schedule.

The Financial Services Administrator will draw down the physical bid guarantee submitted to cover payment for emissions units purchased by any entity that fails to make cash payment within seven (7) days of certification of the reserve sale.

Sale by Mutual Agreement Participant Training Materials

The following information for participants is available on the Ministry's web site:

- Administrative and regulatory requirements for sale by mutual agreement participation;
- The sale by mutual agreement application process and bid submission;
- Bid guarantee submission;
- Bid fulfillment and purchase determinations;
- 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), the Sale by Mutual Agreement Participant Training presentation, and an Auction and Sale by Mutual Agreement User Guide.

These materials are available in French and in English.

Transferring Emissions Units to CITSS Accounts

The minister will record the emission units sold in the winning participants' compliance accounts. For sales by mutual agreement where all purchase bids for a category are equal to or less than the number of emissions units available, winning participants will receive the number of emissions units they bid upon for that category. If the number of bids for emissions units in a category is greater than the quantity of emissions units available, the proportions of emissions units allocated, for each category, may vary in accordance with the requirements of Québec's regulation governing sales by mutual agreement.

Further information

More information on Québec's Cap-and-Trade System for Greenhouse Gas Emissions can be found on the following pages of the Ministry's web site:

Québec's Cap-and-Trade System for Greenhouse Gas Emissions:

<http://www.mddelcc.gouv.qc.ca/changements/carbone/Systeme-plafonnement-droits-GES-en.htm>

<http://www.mddelcc.gouv.qc.ca/changements/carbone/index-en.htm>

Sale by Mutual Agreement Contact Information

For further information about participation in the September 2015 Sale by Mutual Agreement, please contact the following:

Quebec's Cap-and-Trade System

Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques

spede-bcc@mddelcc.gouv.qc.ca

418 521-3830, 418 521-3860 or 1 800 561-1616, option n° 5