

Notice of Sale by Mutual Agreement

Notice of Sale by Mutual Agreement by the Minister of GHG Emission Units with Respect to Québec's Cap-and-Trade System for GHG Emission Allowances To Be Held on September 21, 2021

Issued on July 23, 2021

Sale by Mutual Agreement Summary

This document, Notice of Sale by Mutual Agreement by the Minister of GHG Emission Units with Respect to Québec's Cap-and-Trade System for GHG Emission Allowances to be held on September 21, 2021 (Sale by Mutual Agreement Notice), is the official notification for the September 21, 2021, Sale by Mutual Agreement by the Minister of GHG Emission Units (Sale by Mutual Agreement). The September 2021 Sale by Mutual Agreement will offer reserve emission units for sale in three fixed-price, equal-sized categories. In the Auction and Sale by Mutual Agreement Platform (Auction Platform), the September 2021 Sale by Mutual Agreement is identified by the title, "September 2021 Sale by Mutual Agreement".

Additional background information, detailed instructions, and examples are posted in two supporting documents that provide information about the Sale by Mutual Agreement event.

The Detailed Sale by Mutual Agreement by the Minister Requirements and Instructions document provides detailed requirements and instructions for participating in a Sale by Mutual Agreement, including eligibility, applicant requirements, submission of a bid guarantee, submitting bids, and a description of the process for completing the financial settlement and transfer of emission units.

The Sale by Mutual Agreement by the Minister Examples document provides information and examples of how to determine the amount of a bid guarantee, bid evaluation procedures for holding limits, emission units required and bid guarantees, and examples of the bid fulfillment.

Both documents are available on the Ministère de l'Environnement et de la Lutte contre les changements climatiques² (MELCC) Carbon Market webpage:

<https://environnement.gouv.qc.ca/changements/carbone/Avis-ventes-gre-gre-en.htm>

² Ministry of Environment and the Fight against Climate Change.

Date and Time of Sale by Mutual Agreement

The September 2021 Sale by Mutual Agreement will be held on September 21, 2021, from 1:00 PM to 4:00 PM Eastern Time (ET).

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

Emission Units Offered for Sale and Prices

The emission units offered for sale are delivered through Québec's Cap-and-Trade System for GHG Emission Allowances. During a Sale by Mutual Agreement, emission units are divided equally among three categories (A, B, and C), in which there are no vintages, and their prices are set in accordance with the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances (Québec's regulation). However, per article 42 of that regulation, categories A, B and C may contain units with a vintage and which come from refunds to the reserve. In any way, those units are from a vintage which can be used to fill in the compliance request for the third period (2018-2020).

The number of emission units that will be available for sale during the September 2021 Sale by Mutual Agreement is provided in **Table 1**. All offers and associated transactions will be conducted in **Canadian dollars**.

Table 1 : Emission Units Offered for Sale and Annual Prices³

Category	Emission units put on sale	Annual Prices
	Reserve	
A	13 288 034	\$ 41.40
B	13 288 033	\$ 53.20
C	13 288 033	\$ 65.00

The Regulation stipulates that the annual prices in each category will be updated per the exchange rate for CAD and USD posted on the website of the Bank of Canada the day before the event. Using the exchange rate, the annual price for each category will be compared to the annual price in the equivalent category under the California regulation, and the higher of the two will become the price of the category for that specific Sale by Mutual Agreement. See **Table 2** for the corresponding categories.

Table 2 : Corresponding categories for Reserve emission units

Québec	California
Category A	First Reserve tier
Category B	Second Reserve tier
Category C	Price Ceiling account

³ The number of emission units offered for sale may differ. If a change was required, this Notice would be updated, and all changes highlighted.

As such, if California, as a partner entity, has set higher prices per emission unit for corresponding categories⁴, the emission units are sold at the highest of the prices set by these entities based on the daily average Bank of Canada exchange rate published on its website that is in effect on the day preceding the Sale by Mutual Agreement.

The final category prices are the prices at which emission units offered in the Sale by Mutual Agreement will be sold. These prices will be displayed prior to the opening of the bidding window on the Auction Platform home page.

Sale by Mutual Agreement Application: Requirements and Instructions

1. Eligibility

Only emitters that are registered in the Compliance Instrument Tracking System Service (CITSS) in accordance with the Québec Cap-and-Trade System and whose general account does not contain any emission units that can be used to cover GHG emissions for the third compliance period are eligible for a sale of emission units by mutual agreement.

2. Sale by Mutual Agreement Application Requirements

Entities submit Sale by Mutual Agreement applications in CITSS. Such entities are required to complete a Sale by Mutual Agreement application in CITSS at least 30 days prior to a Sale by Mutual Agreement in which it intends to participate. To do so, they must be registered under a Québec Cap-and-Trade System and have a CITSS General Holding Account and Compliance Account that has not been suspended or revoked. CITSS can be accessed at <https://www.wci-citss.org>.

Information submitted in the auction application process in CITSS includes the following:

- a) Confirmation of the Sale by Mutual Agreement event in which the participant intends to bid
- b) Information on the form(s) of bid guarantee and return instructions
- c) Completion of an Attestation

Once the information listed above has been entered, Sale by Mutual Agreement applications are confirmed and submitted within CITSS.

Sale by Mutual Agreement application information also includes the following information that was submitted in the process of obtaining a CITSS account:

- a) Corporate identity, ownership, and capital structure of the applicant

⁴ In California, the actual price of category A equivalent units is US \$ 41.40, Category B units are priced at US \$ 53.20, and Category C units are at US \$ 65.

- b) The existence of any direct or indirect associated corporate relationships
- c) An allocation of the purchase limit and holding limit among associated entities if applicable

Sale by Mutual Agreement application requirements are described in further detail in the Detailed Sale by Mutual Agreement by the Minister Requirements and Instructions document.

Sale by Mutual Agreement Schedule

Table 3 presents the current schedule for activities associated with the September 2021 Sale by Mutual Agreement (Sale by Mutual Agreement Schedule). Any changes to the Sale by Mutual Agreement 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.

Table 3 : Sale by Mutual Agreement Schedule

Activities	Due Date	Date – Eastern Daylight Time
Sale by Mutual Agreement Notice released/Sale by Mutual Agreement application period opens	Friday, July 23, 2021	3:00 PM
Deadline for entities intending to participate to submit entity information changes and related entity disclosures	Thursday, August 11, 2021	
Sale by Mutual Agreement application period closes	Monday, August 23, 2021	11:59 PM
All bid guarantees due to Financial Services Administrator	Friday, September 10, 2021	6:00 PM
Sale by Mutual Agreement participants approved and PAR and AARs notified	Friday, September 17, 2021	
Sale by Mutual Agreement held	Tuesday, September 21, 2021	Bidding window open from 1:00 PM - 4:00 PM
Sale by Mutual Agreement summary results report released	Tuesday, September 28, 2021	3:00 PM
Sale by Mutual Agreement certified/Sale results available to qualified bidders	Tuesday, September 28, 2021	3:00 PM
Financial settlement in cash due to Financial Services Administrator	Tuesday, October 5, 2021	6:00 PM
Distribution of Sale by Mutual Agreement proceeds completion	Monday, October 18, 2021	
Transfer of emission units into CITSS compliance accounts	Monday, October 18, 2021	

Activities	Due Date	Date – Eastern Daylight Time
Publication of the Sale by Mutual Agreement public proceeds report	Monday, October 18, 2021	
Earliest date for bid guarantee expiration	Monday, October 18, 2021 (28 days after the Sale by Mutual Agreement)	

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 participate in the sale and submit bids.

As described above, each entity must submit a separate application for the Sale by Mutual Agreement in which it wishes to participate. Financial Services Delivery Instructions will be available from CITSS, and all final bid guarantees must be received by the Financial Services Administrator no later than the date and time listed in the Sale by Mutual Agreement Schedule (Table 3). The MELCC will approve or decline applicants for a Sale by Mutual Agreement two (2) business days before the scheduled date.

Procedures for conducting the Sale by Mutual Agreement are described in further detail in the Detailed Sale by Mutual Agreement by the Minister Requirements and Instructions document, with specific examples provided in the Sale by Mutual Agreement by the Minister Examples document.

Form and Manner for Submitting a Bid

During a Sale by Mutual Agreement, an entity cannot submit more than one bid indicating the number of units requested and the category corresponding to the maximum price per unit it is willing to pay for the units. The bid must be consistent with the amount covered by the bidder's bid guarantee, holding limit and quantity of emission units required to meet the purchaser's coverage obligation. Unlike auctions where entities must enter the desired number of 1,000 unit lots, the entity must indicate the exact number of units desired during a Sale by Mutual Agreement. Also, the selected price may not be the price paid, as the distribution of units will start from the lowest price until a category is depleted before moving to the next category, or if all bids are fulfilled. The form and manner for submitting bids are described in further detail in the Detailed Sale by Mutual Agreement by the Minister Requirements and Instructions document, with specific examples provided in the Sale by Mutual Agreement by the Minister Examples document.

All bids remain confidential. At the close of the Sale by Mutual Agreement, the emission units from categories A, B and C are allocated in that same order. For example, if there are enough category A units to satisfy all bids received, all bidders whose bids meet their bid guarantee and emission unit requirements will receive units from category A, even if their bid was for category B or C units.

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 Sale by Mutual Agreement can be made by the Minister at three distinct 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. If a Sale by Mutual Agreement will not be held, the Minister will post a notification on its website no later than two (2) days prior to the scheduled Sale by Mutual Agreement.

Sale by Mutual Agreement Participant Training Materials

The Ministry's website provides information for emitters, including information on regulatory requirements for participation in a Sale by Mutual Agreement, the application process, bid guarantee submission, bid submission, settlement price determination; and financial settlement procedures.

Training materials are also available on the Auction Platform. These include a calendar of upcoming activities, Frequently Asked Questions (FAQs), the Auction Participant Training presentation; and the Auction Platform User Guide.

Sale by Mutual Agreement Participant Training Webinar

The MELCC will hold a Sale by Mutual Agreement participant training webinar to describe how to apply for a Sale by Mutual Agreement and submit a bid in the Auction Platform, as well as how to submit a bid guarantee. The webinar will be presented in French by the MELCC. Any person interested in or considering participating in a Sale by Mutual Agreement is invited to participate in this training webinar.

Date: August 11, 2021

Time: 10:00 AM ET

All PARs and AARs of Québec-registered entities will receive an invitation to the webinar, including a Teams link. If you are not representing a Québec-registered entity but wish to participate in this session, please contact the MELCC's Carbon Market team at:

encheresges-qc@environnement.gouv.qc.ca.

Further information

More information on Québec's Cap-and-Trade System for GHG Emission Allowances can be found on the following pages of the Ministry's web site:

Québec's Cap-and-Trade System for GHG Emission Allowances:

http://www.environnement.gouv.qc.ca/changementsclimatiques/marche-carbone_en.asp

Sale by Mutual Agreement Contact Information

Further information about participation in the September 2021 Sale by Mutual Agreement is available from:

Québec's Cap-and-Trade System

Ministère de l'Environnement et de la Lutte contre les changements climatiques

encheresges-qc@environnement.gouv.qc.ca

418 521-3868, poste 7400

1 800 561-1616, poste 7400