

A&WMA Cap and Trade Workshop

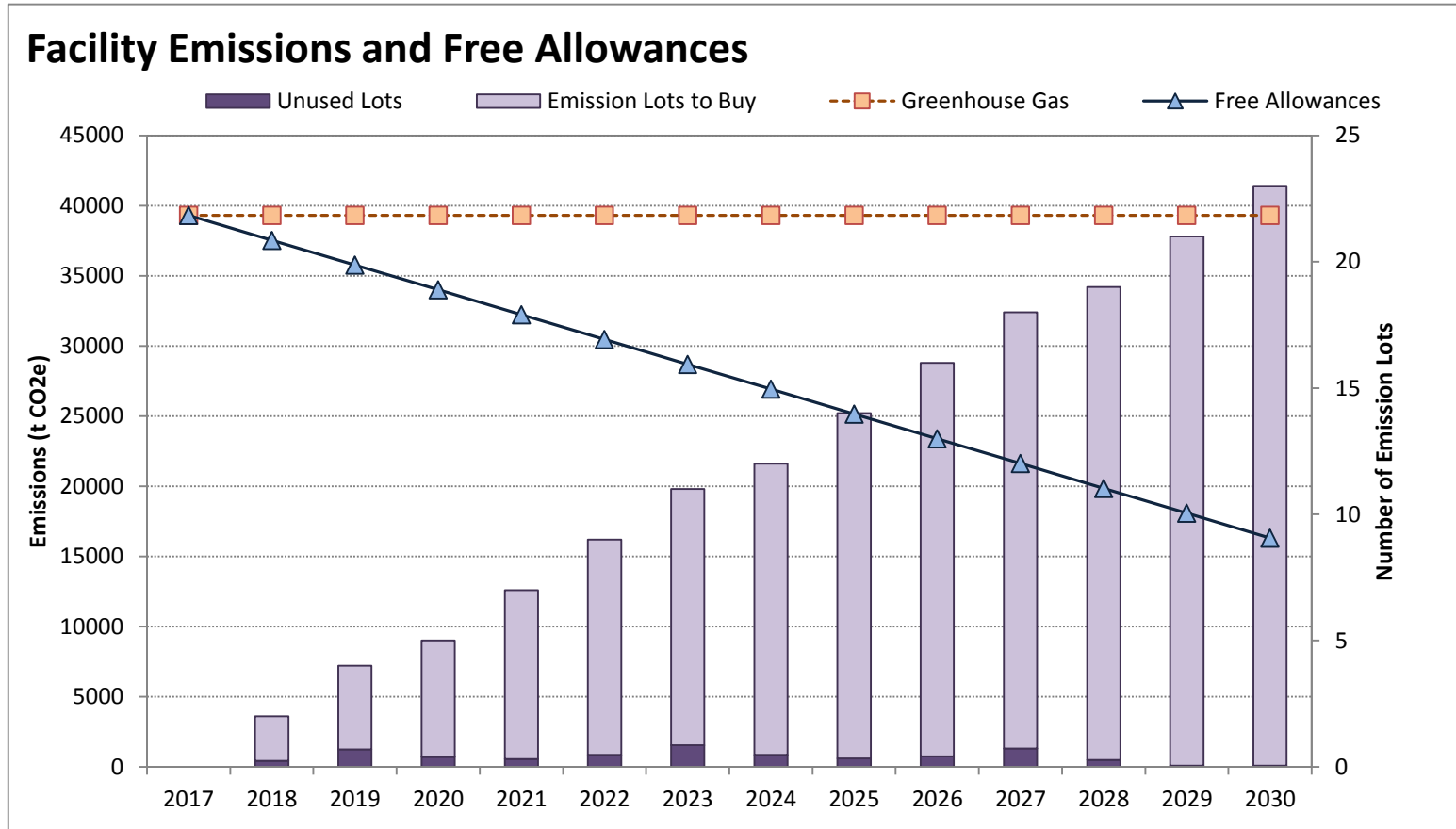
Trading 101 - Mock Auction

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Compliance figure

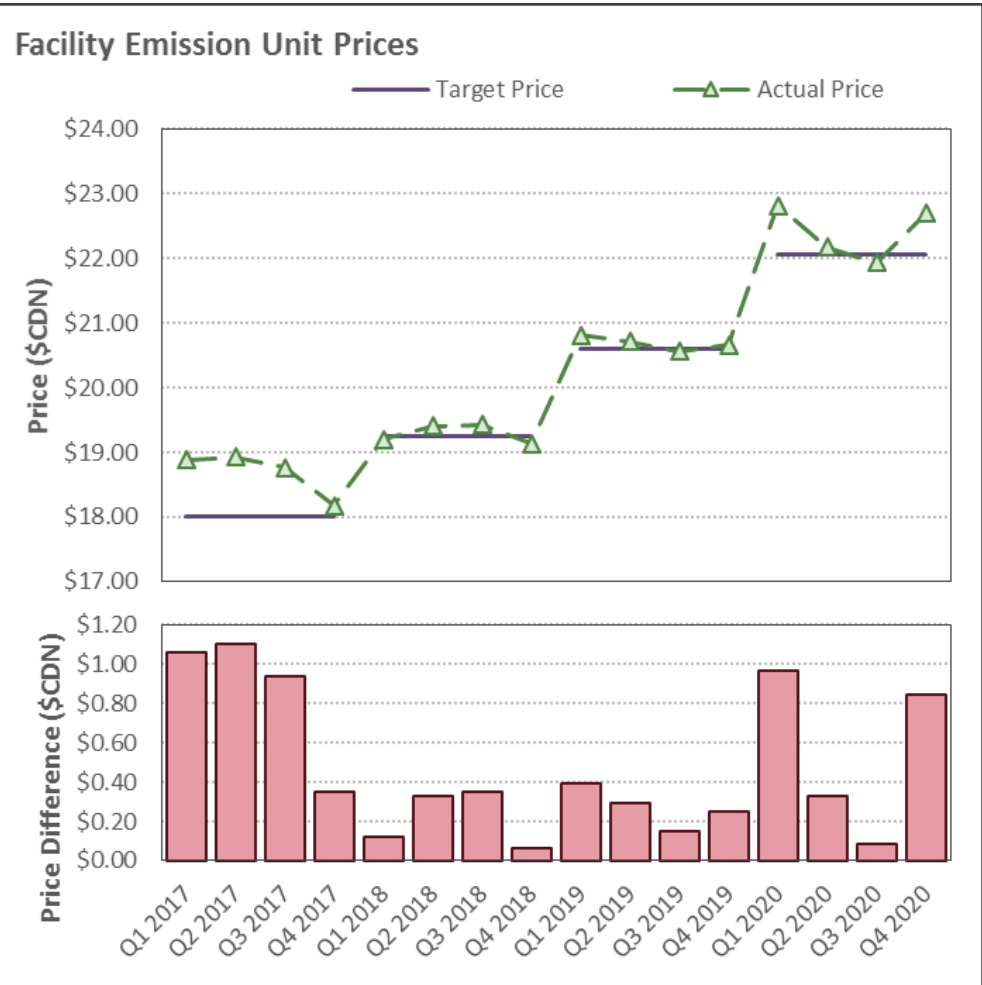




How Much Will You Pay?



Costs depend on both the emissions you need to cover and market price

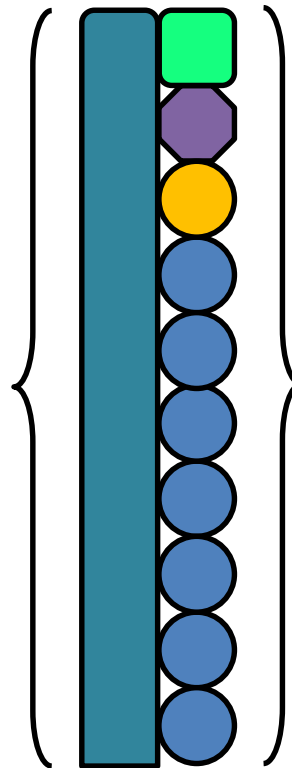




Compliance

At the end of a compliance period, participants must surrender as many emission allowance units as they reported and verified for that period.

Total GHG emissions
for the compliance
period



Emission
allowance units










Compliance Periods



Enterprises will have to surrender emission allowances to government by November 1, following the end the compliance period.



Compliance Options





-  Obtaining early reduction credits
-  Obtaining free emissions allowances
-  Internal reduction
-  Purchase of emission units at the auctions
-  Trading between emitters and registered participants
-  Purchase of offset credits
-  Purchase of emission units from the mutual agreement (strategic reserve)



Cap & Trade Accounts

Government Accounts

Contain the following Emission units :

-  Allocated free of charge
-  Sold at auctions
-  Sold during sale by mutual agreement
-  Offset credits

Capped Participant Accounts

Holding Account

Contains emission units that can be used for transactions

Compliance Account

Contains emission units to cover GHG emissions at the end of a compliance period

Market Participant Account

General Account

Contains emission rights that can be used for transactions



GHG Emissions Units Auction



- At most 4 times per year
- Accessible to all Participants
- Every bidder must, at least 12 days before the date of the auction, submit a financial guarantee to the Minister
- The emission units are auctioned in lots of 1,000 emission units of the same vintage
- The minimum price of the emission units is set at \$10 for auctions conducted in 2012; increased annually by 5% plus inflation after 2012
- Maximum units that may be purchased by the same bidder is limited to:
 - 25% in the case of an emitter; and
 - 4% in the case of a participant.
- A bidder or participant must not disclose whether or not it is taking part in an auction, or any other confidential information



GHG Emission Units Auction



Example

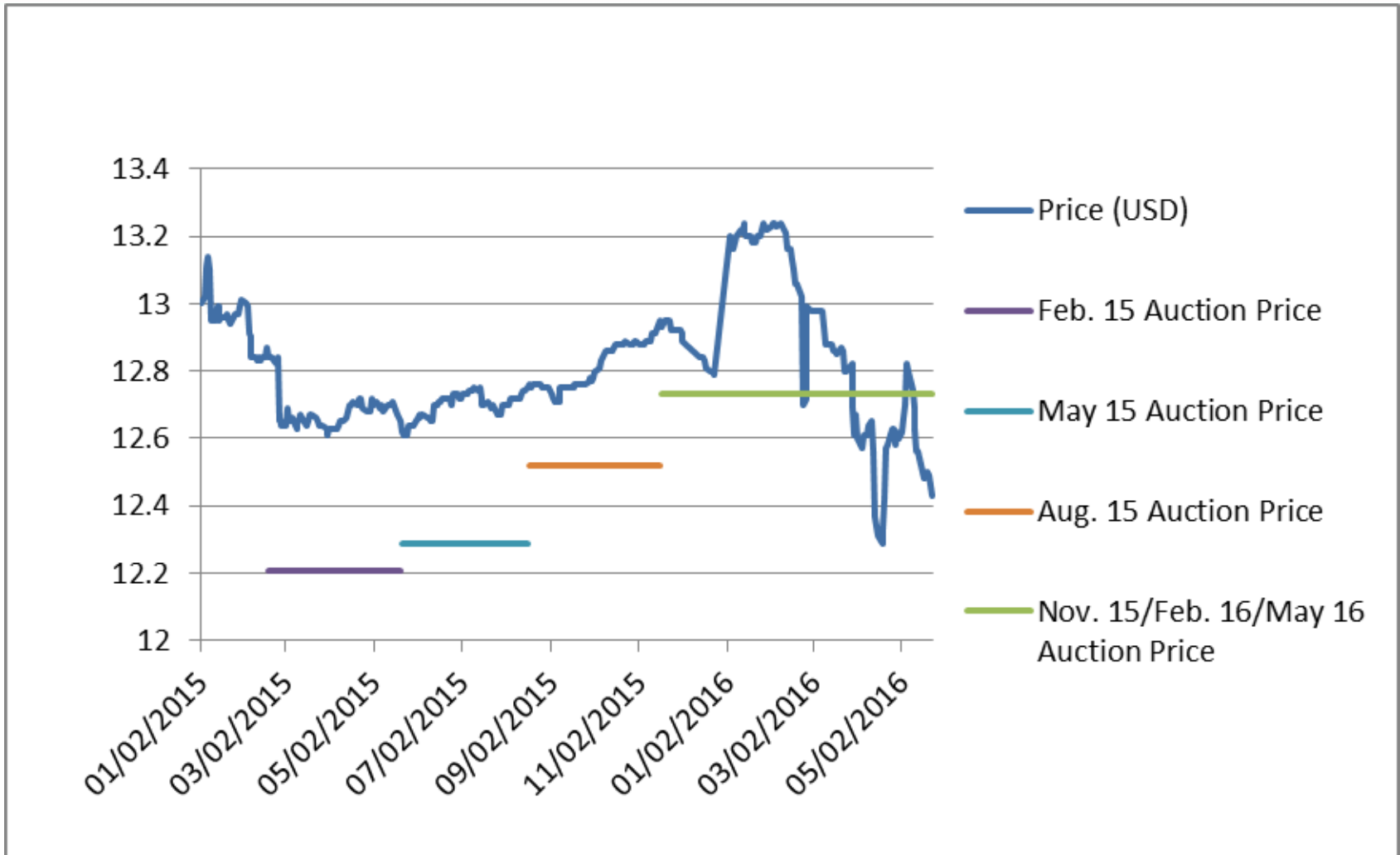
Date: May 2015
Vintage : 2015

Number of lots auctioned : 36
Minimum Price : 12,44 \$

Buyers	1	2	3	4	5	6	Comments
Number of Lots Wanted	9 lots	8 lots	6 lots	8 lots	9 lots	9 lots	49 lots wanted
Price Offered by Emission Unit	\$30	\$20	\$35	\$13	\$40	\$16	
Awarding Order							Buyers awarded according to price offered
Number of Lots Awarded by Buyer							



Carbon Market and Auction Prices (USD)





GHG Emission Unit Offset Credits



- A separate Ontario Offsets Regulation will be proposed later in 2016
- MOECC issued RFP in October 2015 to adapt 13 offset credit project protocols. Initial three offset protocols include:
 - Mine Methane Capture and Destruction
 - Ozone Depleting Substance [ODS] Capture
 - Landfill Gas Capture and Destruction
- Reduction projects in sectors covered by the Cap and Trade Regulation are not eligible.
- The total quantity of offset credits that an emitter can use to cover its emissions cannot exceed 8% of its total emissions for the compliance period.



Mock Auction

- Simplified Auction with the following Participants

Participants	Role
Steel Inc	Emitter
Metals Inc	Emitter
Cement Inc	Emitter
Finance Inc	Market Participant
Agripork Inc	Offset Project
Waste Pro Inc	Offset Project

- 6 “volunteers” agreed to participate
- Their goal – minimize costs or maximize profits



Auction Rules



- Your package contains information required to form your strategy
- Simulated four year compliance period 2017 to 2020
- One mock auctions to represent the 16 actual auctions over this period
- Offsets purchases can be made at any time
- Last Resort – Reserve Fund



Questions and Feedback



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