



Balancing Supply and Demand in an ETS

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Why Balancing Supply and Demand ?

To assure short, medium and long term stability to the price of allowances in order to drive investments from the private sector



Supply and Demand Balance Features of the Quebec and California ETS

- *Auction Reserve Price* (market floor price) :
 - Minimum auction price of $\text{MAX}(\text{CAD}\$10 \text{ or } \text{US}\$10)$ in 2012, increasing by 5% plus inflation per year:
 - QC : \$10.75 in 2013, \$11.39 in 2014 CA\$24,73 in 2025
 - CA : \$10.71 in 2013, \$11,34 in 2014 US\$25,87 in 2025
 - Joint Auctions : Maximum of QC and CA reserve price based on the most recent exchange rate
 - Unsold allowances are removed from the market (set aside)
 - Unsold allowances can be put back at auction after two consecutive auctions close above the Auction Reserve Price



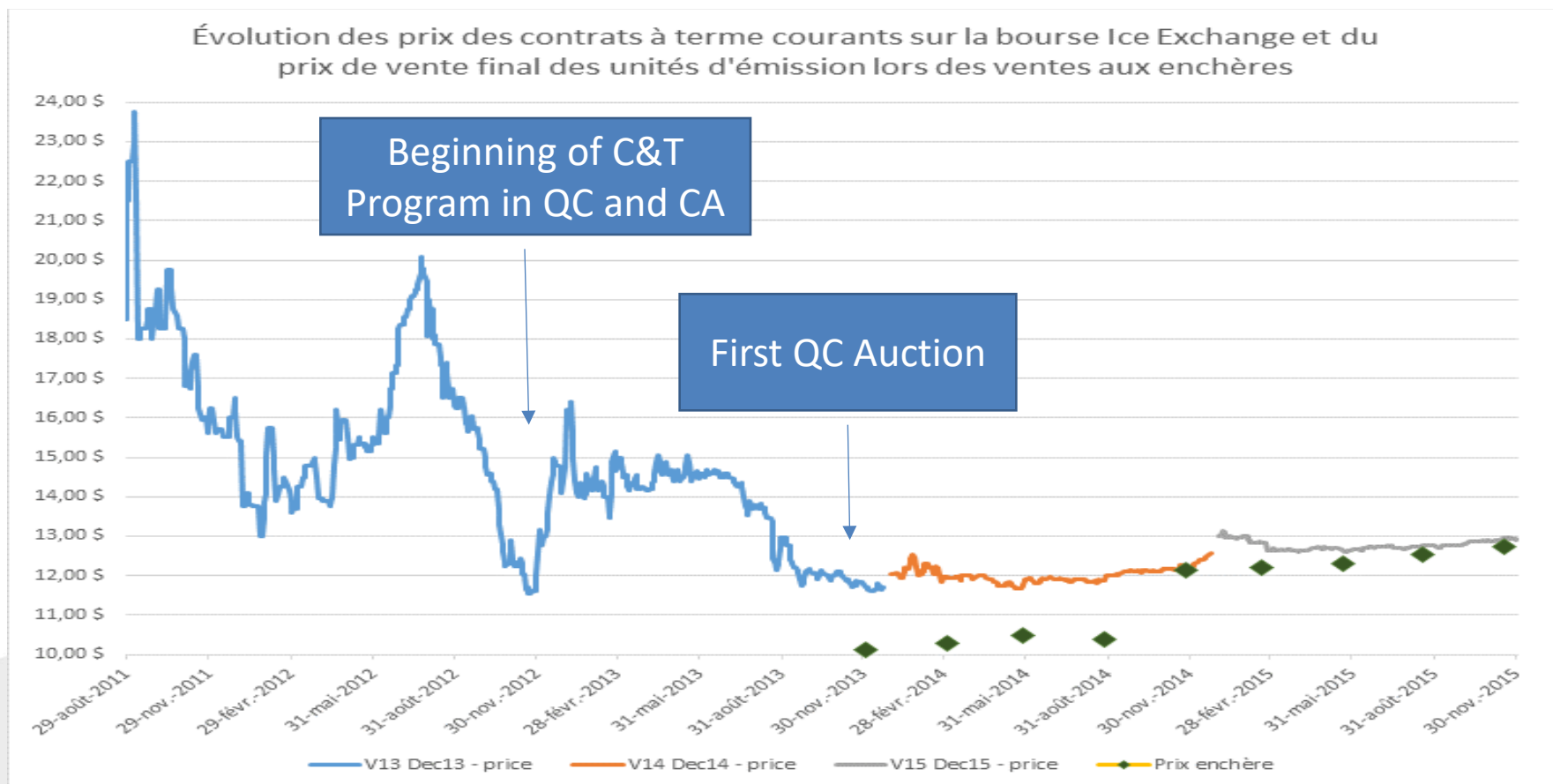
Supply and Demand Balance Features of the Quebec and California ETS

- *Cost Containment Reserve (market ceiling price) :*
 - Made of 1% of 2013-2014 Caps, 4% of 2015-2017 Caps and 7% of 2018-2020 Caps and 4% of post-2020 caps
 - About 38 million allowances for Québec and only available to Québec covered entities
 - About 234 million allowances for California and only available to California covered entities
 - Allowances divided in 3 equal tiers:
 - Tier 1: available at \$40 in 2013, price increasing at 5% plus inflation per year (\$75,59 in 2025)
 - Tier 2: available at \$45 in 2013, price increasing at 5% plus inflation per year (\$97,13 in 2025)
 - Tier 3: available at \$50 in 2013, price increasing at 5% plus inflation per year (\$118,65 in 2025)
 - 4 quarterly Cost Containment Reserve Sales per year
 - For Québec, up to 4 sales per year
 - QC and CA : allowances are transferred in the entity's compliance account (not tradeable on the market)

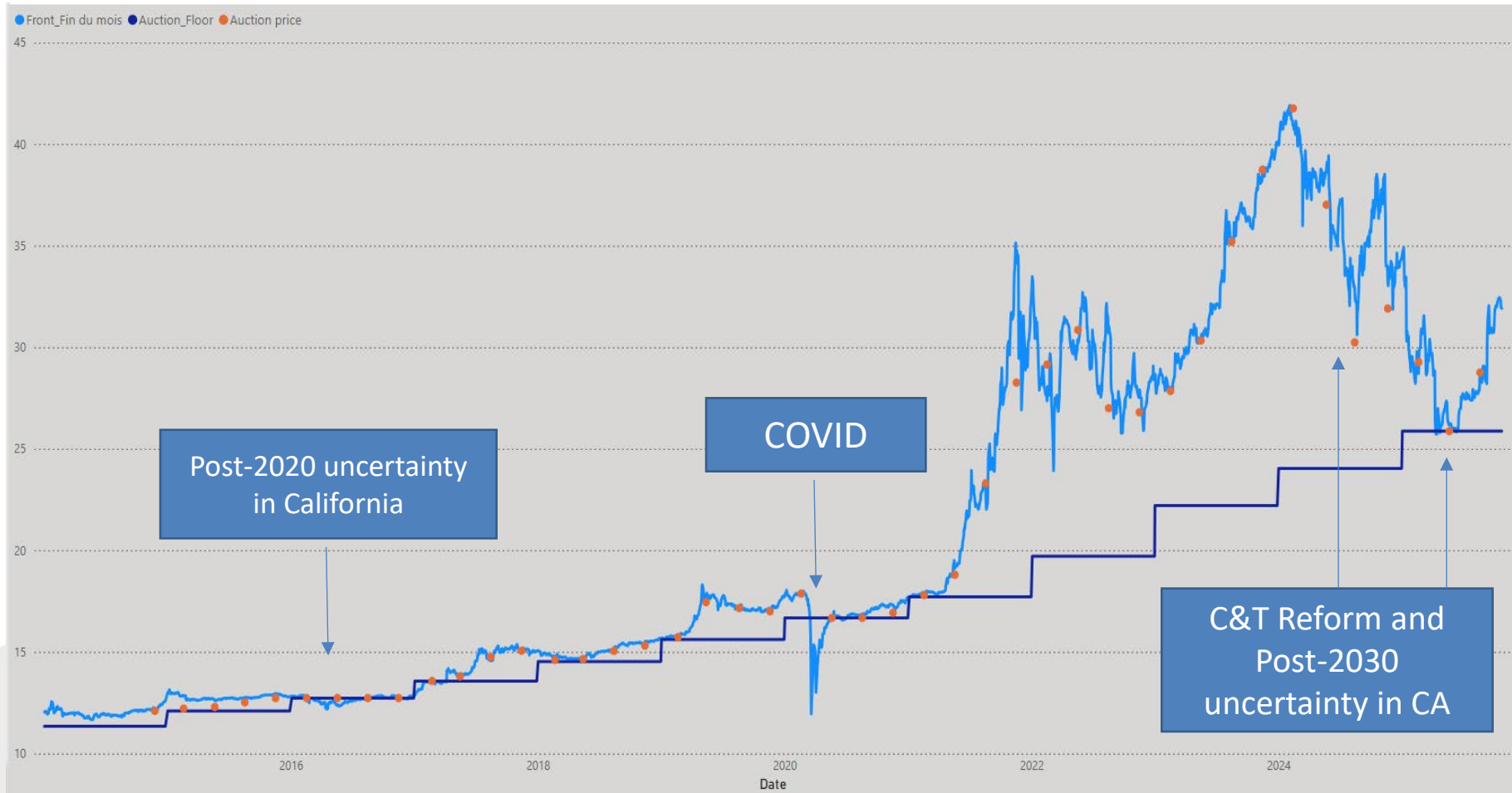
Supply and Demand Balance Features of the Quebec and California ETS's



WCI (QC and CA) C&T Program – Early Days



WCI (QC and CA) C&T Program



Thanks!

