

California Cap-and-Trade Program Registry Administration

Chuck Seidler
California Air Resources Board

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Market Registry System Overview

- ▶ Developed working with United States Environmental Protection Agency (US EPA)
- ▶ Designs developed in collaborative process with Western Climate Initiative Partner Jurisdictions
- ▶ Based on prior emissions trading systems used in United States

Market Registry Tracking System Overview

- ▶ The Market Registry is known as the Compliance Instrument Tracking System Service, or CITSS
 - CITSS allows covered entities and voluntarily associated entities to register in the California Cap-and-Trade Program
 - CITSS tracks the ownership of compliance instruments
 - CITSS tracks all transactions for Cap-and-Trade program participants
 - Secondary market buyers and sellers must be registered in CITSS before transactions can be completed
 - CITSS facilitates program compliance and market oversight

Market Registry Tracking System Development

- ▶ Registration module released July 2012
 - Allows users and entities to register

- ▶ Trading module released October 2012
 - Create and distribute allowances and offsets
 - Allows participants to transfer allowances
 - Extensive security testing conducted

Market Registry Tracking System Development (Cont.)

- ▶ Registration module update released August 2013
 - Updated entity and facility data management and enhanced reporting features
- ▶ Jurisdiction Linking update released January 2014
 - Updated to allow transfers between entities registered under different cap-and-trade programs
- ▶ Compliance Processing module released August 2014
 - Established annual compliance obligations and retired compliance instruments to fulfill obligations

Market Registry Tracking System Technical Requirements Development

- ▶ The primary basis of CITSS technical requirements is the applicable regulations:
 - California Cap-and-Trade Program
 - Québec Cap-and-Trade System
- ▶ Development Priorities
 - Maintain unified market registry
 - Automate processes to require conformance with regulations
 - Automate processes to reduce risks
- ▶ Strong focus on security

Market Registry Tracking System Technical Requirements Development Priorities

- Maintain unified market registry
 - All issuances and transfers with one system
- Automate processes to require conformance with regulations
 - Compliance instrument transfer requests not meeting regulatory requirements cannot be completed
- Automate processes to reduce risks
 - Review registration requests for duplicates
 - Notifications of all actions to all account representatives
- Strong focus on security
 - KYC process
 - Information Technology security

Market Registry Tracking System Day to Day Operations

▶ User Registration

- Accept new user applications in CITSS
- Accept documents to confirm identity of potential users
- Approve new users

▶ Account Applications

- Accept new entity account application
- Accept documents to confirm existence of entity associations
- Approve entity accounts

Market Registry Tracking System Day to Day Operations (Cont.)

- ▶ Jurisdiction Operations
 - Issue allowances and offset credits
 - Transfer compliance instruments from jurisdiction accounts, as needed (e.g., allocation, auction award distribution)
- ▶ Market Monitoring
 - Manage corporate associations
 - Monitor compliance instrument transfers

Market Registry Tracking System Day to Day Operations – Institutional Controls

- ▶ Maintain high-level for registry operations user access
- ▶ Maintain separation of duties between “approval” and “taking action”
- ▶ Maintain four-eye principle

Lessons Learned

- ▶ **Market Registry Development**
 - Plan Ahead
 - Align policy and implementation as soon as possible
 - A customized off-the-shelf approach can be very effective
- ▶ **Day-to-Day Operations**
 - Beware of KYC service inconsistencies – always double check
 - Maintain clear and concise procedures

For Additional Information

ARB Compliance Instrument Tracking
System Service Web Site:

<http://www.arb.ca.gov/citss>