Partnership for Market Readiness

Connecting Carbon Markets through Registries

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Outline of Presentation

- Linkage Case Study – California-Québec
- Technical Requirements
- Operational and Administrative Requirements
- Legal Aspects and Implications
- Other Considerations
Case Study: California & Québec

- Single, linked registry – Compliance Instrument Tracking System Service (CITSS)
- Contains all compliance instruments – each has a unique serial number
- Contains all user information and participating entity information
- Enables issuance, trading, and retirement of compliance instruments
- Jurisdictions began utilizing CITSS separately prior to formal linkage on January 1, 2014
- First joint auction on November 25, 2014
Technical Requirements

- CITSS designed to meet regulatory requirements
- Regulations adopted to meet statutory mandates and policy goals from participating jurisdictions
  - Important to align policy early on
- Regulations specify information that must be contained in the registry to effectively implement the carbon market
  - Data security
  - Administration
  - Effective monitoring of participants and participant behavior
  - Ensure participants can comply with regulatory requirements
  - Support for other market actions
Technical Requirements (continued)

- Compliance instrument issuance
- Individual user registration – KYC checks
- Entity registration
  - Authorized representatives
  - Emissions sources/facilities
  - Corporate associations
  - Transaction information – trades, prices, etc.
- Information for auctions
  - Sharing of purchase and holding limits
  - Requirements for financial services
  - Effective market monitoring
Operational/Administrative Requirements

- Close coordination
  - With partner jurisdictions
  - With WCI, Inc.
  - With contractor developing CITSS

- Clear roles are needed at all levels
  - Staff access – limited number of people
  - Who can propose actions
  - Who can approve actions

- Jointly developed processes/procedures
  - Data security
  - Design, testing, and implementation of CITSS
  - Monitoring
Legal Aspects and Implications

- CITSS design and implementation must meet regulatory requirements of participating jurisdictions.
- For California and Québec, this meant regulatory requirements needed to be discussed early so policies and requirements aligned prior to full development of CITSS.
- Data security requirements from both US and Canada formed part of discussions and CITSS design.
- Changes to CITSS must track changes to jurisdiction requirements.
- For multiple jurisdictions utilizing a single registry, California requires additional “linkage” findings under SB 1018.
Benefits & Challenges to Operating a Single Registry with Linked Partners

Benefits
- Diminishes potential for security breaches
- Enables effective cross-jurisdictional implementation
- Enables coordinated, expanded carbon market
- Creates clear requirements and system for bringing in additional jurisdictions

Challenges
- Requires policy alignment for participating jurisdictions
- Requires alignment on aspects of regulations
- Requires coordination to work through changes that result from different legal structures, regulatory timelines, and processes
Other Considerations

- CITSS does not allow connection with other registry systems
- All instruments are issued in and remain in CITSS
- California regulation allows Exchange Clearing Holding Accounts
  - Requires Exchange to apply for an account in CITSS
- California regulation recognizes early action offset programs
  - Early action program issues early action offset credits
  - If credits meet California regulatory requirements, ARB may issue credits in CITSS as long as the early action program retires the early action credits in its registry/system
- California regulation contemplates recognition of international sector-based offset crediting programs
  - Issuance in CITSS would likely be similar to that of early action credits
Additional Information

California Cap-and-Trade Program Webpage:
http://www.arb.ca.gov/cc/capandtrade/capandtrade.htm

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