

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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