



The Québec Cap-and-Trade System for Greenhouse Gas Emission Allowances

Frequently asked
questions **Q&A**



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I. General

1. What is a “cap-and-trade system for greenhouse gas (GHG) emission allowances?”

A cap-and-trade system for GHG emission allowances is an economic tool that reduces total greenhouse gas (GHG) emissions. An overall cap on GHG emissions is imposed annually on all emitters covered by the system. This cap is lowered gradually over time, generating absolute reductions in GHG emissions. Using market forces to encourage the cheapest reductions, the cap-and-trade system for GHG emission allowances provides flexibility to emitters with respect to the means of complying with requirements, thereby reducing overall mitigation costs.

2. What is an emission allowance?

An **emission allowance** is a generic term that can represent an emission unit, an offset credit or an Early Reduction Credit (ERC).

An **emission unit** is an authorization to emit one tonne of GHG. The number of available GHG emission units is limited and the total for all emitters covered by the cap-and-trade system is equivalent to the annual published cap of GHG emission units set by the government.

Offset credits are GHG emission reductions that take place over and above current practices and/or regulatory obligations. They depend on the number of projects, but are not limited in number. These credits may be used to compensate for GHG emissions.

Early reduction credits (ERCs) may be issued for GHG emissions reduced during the eligibility period (January 1, 2008 to December 31, 2011) to an emitter that meets the requirements described in Chapter III, Title III of the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances¹.

3. What is a compliance period?

A compliance period is a period of time at the end of which emitters covered by the cap-and-trade system for greenhouse gas emission allowances will remit one emission allowance to the government for each ton of GHG they release into the atmosphere.

The cap-and-trade system for greenhouse gas emission allowances currently in place includes three compliance periods, the first of which began on January 1, 2013 and is to end December 31, 2014. The other two compliance periods will last three years each, from January 1, 2015 to December 31, 2017, and from January 1, 2018 to December 31, 2020..

4. Is it possible to obtain the list of emitters covered by the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances?

The list of emitters covered by the Regulation is available on the Web site of the *Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques (MDDELCC)* at www.mddelcc.gouv.qc.ca/changements/carbone/index-en.htm.

¹ The Regulation respecting a cap-and-trade system for greenhouse gas emission allowances may be found at: http://www2.publicationsduquebec.gouv.qc.ca/dynamicSearch/telecharge.php?type=3&file=/Q_2/Q2R46_1_A.HTM.

5. **When will emitters be required to have sufficient emission allowances in their compliance account to cover their GHG emissions?**

On November 1 following a compliance period or on the next working day thereafter (November 2, 2015, November 1, 2018 and November 1, 2021), emitters will be required to have emission allowances in their compliance account that are at least equal to the total of verified GHG emissions for all of their covered establishments during that period.

6. **As an emitter, how can I know if my business is subject to the regulation respecting the cap-and-trade system?**

To be considered an emitter, a person or municipality must meet the conditions set out in Section 2 of the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances:

1. Operate an enterprise in a sector of activity covered by the Regulation;
1. Report for an establishment, or if applicable, for the enterprise, annual GHG emissions greater than or equal to 25,000 metric tons of equivalent CO₂ under the Regulation respecting mandatory reporting of certain emissions of contaminants into the atmosphere, excluding emissions listed in Section 6.6².

II. **Registration**

7. **Who is required to register for the GHG cap-and-trade system?**

Emitters subject to Section 2 of the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances (GHG) are required to register for the system.

8. **If I am not an emitter, can I still participate in the cap-and-trade system?**

Any person who is domiciled or owns an establishment in Canada may voluntarily register as a participant in the cap-and-trade system in order to purchase, hold, sell or voluntarily withdraw emission allowances.

9. **What is the CITSS?**

The CITSS or Compliance Instruments Tracking System Service is a computerized GHG emission allowance tracking system that serves as the official register of the Minister of Sustainable Development, the Environment and the Fight against Climate Change (“the Minister”) in support of the implementation of the cap-and-trade system. Emitters and other participants can only own and exchange emission allowances within the CITSS.

² The Regulation respecting mandatory reporting of certain emissions of contaminants into the atmosphere may be found at: http://www2.publicationsduquebec.gouv.qc.ca/dynamicSearch/telecharge.php?type=2&file=%2F%2FQ_2%2FQ2R15_A.htm.

10. What is the deadline for registering for the GHG cap-and-trade system?

Emitters that were subject to Section 2(1) of the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances as of January 1, 2013 should have registered for the system prior to September 1, 2012. These emitters, mainly in the industrial and electricity sectors, have annual GHG emissions equal to or greater than the annual equivalent CO₂ threshold of 25,000 metric tons.

No time constraints applied to entities that were not subject to the Regulation but wished to take part in the carbon market as of January 1, 2013, since their participation in the cap-and-trade system was voluntary.

Emitters that are subject to Section 2(2) of the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances as of January 1, 2015 were required to register by September 1, 2014. These enterprises either acquire electricity generated outside Québec or distribute fossil fuels and combustibles in Québec (for example, automotive gasoline, diesel fuel, propane, natural gas and heating fuel, with some exceptions), producing annual GHG emissions attributable to the use of fossil fuels and combustibles that are equal to or greater than the annual equivalent CO₂ threshold of 25,000 metric tons.

Other emitters that were subject to the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances after January 1, 2013 are required to register no later than September 1 following their first declaration of GHG emissions that are equal to or greater than the equivalent CO₂ threshold of 25,000 metric tons.

11. How do I register for the cap-and-trade system?

Registration in the cap-and-trade system is made through the CITSS.

For companies (emitters or participating corporations), the first step is to register at least two individuals to act as account representatives by filing applications for user IDs. The primary account representative must be domiciled in Québec. Once the first step is completed, either representative may apply to open a CITSS account for the company using their user ID. If the account opening is approved, the company is deemed registered in the cap-and-trade system.

For individuals (natural person), the first step is to register in the CITSS by filing an application for a user ID. The individual must be domiciled in Canada, but if their address is outside Québec, they must appoint a natural person domiciled in Québec as their representative. Once the user ID has been issued, the individual may apply for a CITSS account. Applicants who wish to open a personal account cannot designate anyone else to act as account representative and in fact are the only representative for the account. When an individual application for a CITSS account is approved, the applicant is then deemed registered in the cap-and-trade system.

For municipalities, registration follows the same procedures as for corporate emitters or other participating entities, while the CITSS account opening steps are slightly different. This is more fully explained in [Volume 2](#) of the CITSS User's Guide³, which is available on the MDDELCC Web site.

For questions about the procedures for obtaining a user ID, please refer to [Volume 1](#) of the CITSS User's Guide, which is available on the MDDELCC Web site.

3 The CITSS User's Guide is currently only available in French. Please take note that the CITSS is only available in French for Québec emitters and participants.

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For questions about the procedures for opening a CITSS account, please refer to [Volume 2](#) of the CITSS User's Guide, which is available on the MDDELCC Web site.

12. Does an emitter that is already registered (with an open CITSS account) in Québec also need to register in California if it wants to participate in that state's carbon market?

Since the Québec-California market linkage agreement came into effect on January 1, 2014, registration with the Québec government is also recognized in California. However, any emitter that owns an establishment covered by regulations in both jurisdictions will have to open a CITSS account in each one. It should be noted, however, that already-registered emitters may not also register as simple participants. Non-emitting participants may elect to register either in Québec or California to participate in the linked carbon market.

III. Allocation (distribution) of GHG emission units

13. Which emitters covered by the cap-and-trade system will receive free GHG emission units?

Emitters covered by the cap-and-trade system will receive GHG emission units free of charge if they carry out an activity referred to Schedule C, Part I, Table A of the Regulation respecting a cap-and-trade system of greenhouse gas emission allowances. Eligible activities are primarily found in the industrial and electricity generation sectors.

14. Why do certain emitters receive GHG emission units free of charge?

Certain emitters covered by the Regulation respecting a cap-and-trade system of greenhouse gas emission allowances receive free GHG emission units if they face national and international competition.

This approach will minimize the cap-and-trade system's impact on firms that work in highly competitive sectors. In fact, a large proportion of industrial emitters receive annually emission units free of charge.

15. Will it be possible for an emitter covered by the cap-and-trade system after January 1, 2013 to receive free emission units for a new facility during the 2013-2020 period if it operates within a sector for which a free allocation is provided for existing facilities?

Yes. Schedule C, Part II, Section 6.5 of the Regulation respecting a cap and-trade system of greenhouse gas emission allowances focuses on the methods for calculating the number of GHG emission units that may be allocated free of charge. It details the information that emitters intending to open a new facility are required to provide to the Minister. The calculation methods used to determine the number of GHG emission units to be allocated free of charge are also described in that section.

IV. Early Reduction Credits (ERCs)

This section on Early Reduction Credits has been added for information purposes only. The ERC application deadline has now passed.

16. What is an Early Reduction Credit (ERC)?

An Early Reduction Credit (ERC) is a credit issued to an emitter for GHG emission reductions that met the conditions described in Title III, Chapter III of the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances during the eligibility period, which began on January 1, 2008 and ended on December 31, 2011.

The eligibility period and related criteria were developed in accordance with Western Climate Initiative (WCI) guidelines. The deadline for submitting an ERC application was May 31, 2013. Only emitters covered by the regulation respecting the cap and trade system as of January 1, 2013 and that held a CITSS account were eligible to apply for ERCs.

ERCs have the same value as any other GHG emission allowances and may be used at any time to cover GHG emissions.

17. When were the Early Reduction Credits (ERCs) issued?

ERCs were credited on January 14, 2014 to the general accounts of emitters that submitted eligible projects and filed an application that was deemed complete and satisfactory by the Minister.

18. Were GHG emission reductions achieved between 2008 and 2011 and subsequently sold on the voluntary market eligible for Early Reduction Credits?

No. GHG emission reductions sold or credited under another system or program did not qualify for ERCs.

V. Offset credits

19. What is an offset credit?

An offset credit represents a quantity of GHG emissions that was never emitted or that was permanently and irreversibly removed from the atmosphere by a project voluntarily implemented by an individual, organization or business, above and beyond usual practices. Offset credits are expressed in tons of equivalent CO₂ (t CO₂e). Offset credits can be purchased and used to compensate for GHG emissions generated by another individual, organization or business.

20. What types of projects qualify for offset credits under the cap-and-trade system?

To qualify for offset credits under the cap-and-trade system, projects must satisfy the requirements of the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances and all applicable offset credit protocols.

Eligible projects must have started after January 1, 2007.

Existing protocols cover the following types of activities:

- CH₄ destruction at covered manure storage facilities;
- CH₄ destruction at landfill sites;
- Destruction of ozone depleting substances contained in insulating foams or used as refrigerants that have been removed from refrigerators, freezers or air conditioning appliances.

Other protocols are being developed or will be developed over the coming years.

21. Are carbon credits derived from protocols in the voluntary market recognized as offset credits by the cap-and-trade system?

No. The GHG cap-and-trade system will only recognize offset credits that have been issued by the Government of Québec per protocols defined in Québec regulations or by a government partner such as the State of California (since January 1, 2014) with which Québec has signed a market linkage agreement.

22. Are projects outside Québec eligible to receive offset credits?

Each offset protocol defines its own parameters, which include whether or not the project may be located outside Québec.

23. On which criteria are the issuance rules governing offset credits set out in the Regulation respecting a cap-and-trade system of greenhouse gas emission allowances based?

The rules governing the issuance of offset credits contained in the Québec regulations comply with the requirements proposed by the Western Climate Initiative (WCI). This includes the requirement that the GHG emission reductions have to be additional, permanent, verifiable and real.

24. What constitutes an “additional” GHG reduction?

An additional GHG emission reduction is one that would not have occurred in the normal course of business or without additional incentives and that exceeds current regulations and practices. The “additional” nature of the Western Climate Initiative (WCI) criterion provides that such GHG emission reduction must exceed the most stringent current practices and regulations in effect within all WCI partner jurisdictions.

25. What constitutes a “permanent” GHG reduction?

A permanent GHG emission reduction is one that is both sustainable and irreversible. However, given the nature of some projects or the environments in which they are implemented, unintentional and random events could occur during their lifetimes. These events could cause sequestered GHG to be released into the atmosphere.

All offset projects must define their risk level in regard to the potential for sequestered GHG being released. In the case of projects where there is a risk that GHG emission reductions could become reversible, mechanisms must be put in place to ensure that should GHG be released into the atmosphere, climate impact will be as neutral as possible over a 100-year period.

As a precaution, a portion of offset credits generated by a project will be held in the Minister’s environmental integrity account in order to neutralize any eventual GHG release. These offset credits can be retired if issued GHG emission reductions become subsequently ineligible. Unless specifically stipulated in a protocol, a 3% levy on each project is credited to the Minister’s environmental integrity account. For GHG sequestration projects, specific rates for each type of project will be set when these protocols are incorporated into the Regulation.

26. What constitutes a “verifiable” GHG reduction?

A verifiable GHG emission reduction is one that has already been completed and sufficiently and fully documented in such a way that a member of an accredited ISO 14065 verification body can confirm its implementation and accuracy by an objective inspection of the carbon offset project site.

27. What constitutes a “real” GHG reduction?

A real GHG emission reduction is one that:

- results from a voluntary action or decision by the promoter;
- can be quantified using reliable, reproducible and scientifically current methods that are suitable for all emission sources at the project, taking into account the local and specific conditions involved;
- can be quantified conservatively, taking into account the uncertainties involved and discounting figures to ensure that GHG emission reductions are not overestimated;
- does not lead to any leakage that would increase GHG emissions elsewhere and void the benefits associated with the GHG emission reductions made possible by the project, in whole or in part.

VI. Auctions

28. When auctions take place?

There are no set dates for auctions under the regulation respecting the cap-and-trade system. A maximum of four auctions is anticipated each year. Auctions linked to the California system will take place on dates set out in the California regulation.

29. Who can participate in the auctions?

All emitters and other participants with a CITSS account and that have indicated their wish to take part in an auction, may do so.

To indicate their wish to take part in auctions and future direct government sales, emitters and other participants should select “participation aux ventes aux enchères” in the CITSS system.

30. How parties interested in the auctions are informed that one will take place?

A notice is posted on the MDELCC Web site at least 60 days before the date of an auction. The notice detail the rules and conditions of the sale.

Emitters and other participants that are registered in the CITSS and who have indicated their intention to participate in an auction also receive notification by email, 60 days before the sale date, inviting them to register for the next auction should they wish to take part in it.

31. What are the auction registration procedures? If the emitter or participant I represent has a CITSS account, is that emitter or participant automatically registered for auctions?

The first step for a would-be participant is to open a CITSS account. For more details on how to open a CITSS account, see [Volume 2](#) of the CITSS User’s Guide.

Registration is not automatic, however. Emitters and other participants must first ensure that all information in their CITSS account (and all supporting documentation required by the Minister) is up-to-date, at least 40 days before the scheduled date of the auction in which they intend to participate. Emitters or other participants must also indicate an intention to participate in the next auction at least 30 days before its scheduled date, using their CITSS account by checking the appropriate box in the “Auction” tab. They will then receive an email from the CITSS administrator, explaining how to activate their account on the auction platform and how to complete registration for the auction. By announcing its intention to participate in the auction, the account holder agrees that the information contained in its account may be transferred to both the auction administrator and the administrator of the financial institution with which it must deposit its financial guarantee and, as the case may be, make payment for its winning bid(s).

The information provided will be used by the auction administrator and the financial institution to contact account holders or their representatives in order to complete the auction registration process.

32. What are the auctions rules?

At auction, any bidder may submit more than one bid to the extent that each one complies with the minimum price, the amount covered by its financial guarantee, and its purchasing and holding limits. Offers are in rounded dollars and cents and correspond to a single GHG emission unit. The quantity per offer must correspond to the number of desired lots at the unit bid price (one lot equals 1,000 GHG emission units). All offers remain confidential, with the selling price determined by the offer that allows for all available GHG emission units to be subscribed. Winners will be notified, and failure to settle the amount due by the prescribed deadline will result in their financial guarantee being used.

33. What are the minimum and maximum prices per GHG emission unit at auction?

In 2012, the minimum price per GHG emission at auction was \$10. This floor price increases annually by 5% plus inflation. There is no maximum price.

Every year, California and Québec will announce their respective floor prices for the following year's linked auctions. On linked auction days, the minimum joint GHG emission unit price will be announced prior to the start of bidding. That price will be the higher of the minimum Québec and California prices and is calculated on the basis of the U.S./Canadian dollar exchange rate on auction day, or if that rate is unavailable, the most recent published rate.

34. When both current/previous and future year GHG emission units are offered at auction, are separate bids required?

Yes. Separate bids are required in each case.

35. In what currency should auction bids be made?

Bids should be in Canadian dollars for Québec-only auctions. For linked auctions, bids may be either in Canadian or U.S. dollars, but must be in the same currency as the financial guarantee.

36. How is the selling price of GHG emission units set at auction?

To determine the selling price, the Minister awards GHG emission units starting with the highest bid until all units available for sale are sold. To do so, the Minister first excludes bid excluding bids that do not meet the minimum price. The Minister then excludes bids that exceed bidders' purchase and holding limits. Finally, bids that exceed the value of bidders' financial guarantees are also excluded.

The lowest bid for which the Minister awards GHG emission units then becomes the selling price for all auctioned units. The price is therefore the same for all winning bidders, regardless of the price they offered in their bids.

37. How many GHG emissions units are available for bidders at auctions?

The number of GHG emissions units that is sold at auction is published at least 60 days before the anticipated date of sale.

38. Will bidders be able to specify that they want to purchase Québec-issued GHG emission units at joint auctions with California?

No. All lots for sale in linked auctions, containing 1000 units each, will be composed of GHG emission units from both Québec and California. In addition, the CITSS does not distinguish between Québec and California GHG emission units.

39. When are final auction sales prices and results released to participants and the general public?

A summary of auction results is posted on the MDDELCC Web site. Information includes final sales prices, names of emitters and other participants in the auction, total sales and a non-nominative breakdown of purchases. The precise time when auction results will become available is included in the auction notice, which is published 60 days prior to the anticipated date of the auction.

40. What types of financial guarantees are accepted for auction sales?

The following types of single or combinations of guarantees are accepted:

- A wire transfer of funds;
- An irrevocable letter of credit issued by a bank or financial services cooperative that is incorporated provincially in Québec, federally in Canada or in another Canadian province or territory;
- A letter of guarantee issued by a bank or financial services cooperative that is incorporated provincially in Québec, federally in Canada or in another Canadian province or territory.

Guarantees for Québec auctions only must be issued in Canadian dollars. For linked auctions, financial guarantees may be in either Canadian or U.S. currency. All auction bids must be in the currency of the bidder's financial guarantee.

41. What is the deadline for submitting a financial guarantee?

Financial guarantees must be deposited into a bank account belonging to the financial services administrator, no later than twelve (12) days prior to the date of auction. The exact date and time by which financial guarantees are to be deposited will be included in the auction notice, which is published no later than sixty (60) days prior to the sale.

42. How is payment to be made for successful bids on GHG emission units?

Successful bidders on GHG emission units make payment by funds transfer payable to the financial services administrator prior to the deadline stipulated in the auction notice. The financial guarantee is used to cover amounts owed in case of failure to pay in full for all awarded GHG emission units by the deadline.

43. What holding limit applies to GHG emission unit bids at auction?

The holding limit is the maximum number of GHG emission units that an emitter or other participant can hold in its general and/or compliance account. This limit applies to auctions when a bidder is unable to offer to purchase a quantity of emission units that would exceed the limit, taking into account the quantity already held in its account(s).

44. What is the GHG emission units purchase limit at an auction?

This is the maximum number of GHG emission units that can be purchased at auction by a given emitter or other participant.

The emission units limit for the current or previous years (vintage) are defined as follows:

- 15% of the emission units up for bids for emitters subject to Section 2(1) of the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances who qualify for the allocation of free emission units under Section 39;
- 40% of the emission units up for bids for emitters subject to Section 2(1) of the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances who do not qualify for the allocation of free emission units under Section 39;
- 40% of the emission units up for bids for emitters subject to Section 2(2), paragraphs 1 and 2 of the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances;
- 4% of the emission units up for bids for other participants.

The emission units purchase limit for years subsequent to the current year (future vintage) that may be purchased at auction by a single bidder is 25% of the total emission units up for bids, and this applies to all bidders.

Emitters and participants members of a corporate association group (related entities) must share their purchase limit according to section 50.

VII. Ministerial direct sales by mutual agreement

45. What is a ministerial direct sale by mutual agreement?

GHG emission units available to emitters in direct sales by the MDDELCC originate in the Minister's reserve, which was created when the cap-and-trade system began by setting aside percentages of the emission unit budgets for the following past, current and future years: 1% for fiscal 2013 and 2014; 4% for fiscal 2015, 2016 and 2017; and 7% for fiscal 2018, 2019 and 2020. Three different categories (A, B, and C) of GHG emission units are available to emitters within the reserve envelope.

46. When do ministerial direct sales by mutual agreement take place?

There are no predetermined dates for direct sales by mutual agreement under the regulation respecting the cap-and-trade system. A maximum of four such sales may be scheduled annually, subject to ministerial decision.

47. Who can take part in ministerial direct sales by mutual agreement?

Participation in direct sales by mutual agreement is reserved for emitters whose general account contains no GHG emission units that can be used to cover their emissions in any given current compliance period.

These emitters are also required to have a CITSS account in which they indicated their intention to take part in auctions and/or direct sales by mutual agreement by selecting the "Participation in auctions" option.

48. How are emitters informed of upcoming ministerial direct sales by mutual agreement?

A notice, containing the applicable rules and regulations, is posted on the MDDELCC Web site at least 60 days prior to a ministerial direct sale.

Emitters registered in the CITSS and who indicated their intention to take part in auctions also receive email notification of upcoming sales at least 60 days prior to ministerial direct sales by mutual agreement, and is encouraged to register if they wish to take part in the next such sale.

49. What are the registration procedures for ministerial direct sales by mutual agreement? If the emitter that I represent has a CITSS, will it be automatically registered for such sales?

Only emitters subject to the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances are eligible for ministerial direct sales by mutual agreement.

The first step in the process is to open a CITSS account. For more details on how to open a CITSS account, see [Volume 2](#) of the CITSS User's Guide.

However, CITSS account holders are not automatically registered for direct sales. Emitters need to ensure that their CITSS account information (and all supporting documents required by the Minister) is current at least 40 days prior to such sales, and indicate their intention to take part in the forthcoming sale by checking the appropriate box in the "Auction" tab at least 30 days before the announced date of sale. They will then receive an email from the sale administrator explaining how to activate their account on the direct sales platform and complete the sale registration process. By indicating their intention to take part in ministerial direct sales by mutual agreement, applicants agree that the information in their account may be shared with the sale administrator and the financial institution where the financial guarantee is to be deposited and where payment on winning bids it to be made.

This information will be used by the sale administrator and the financial institution to contact the representatives of emitters in order to complete the auction registration process.

50. What rules apply to ministerial direct sales by mutual agreement?

To participate in a direct sale by mutual agreement, an emitter cannot hold any GHG emission units in its general account that are valid for the current compliance period.

Emitters may submit more than one bid as long as each one is in compliance with the price by category, the amount covered by their financial guarantee and their holding limit. All offers remain confidential. The selling price is as set for the desired category. Successful bidders will be notified. Failure to pay the amount due within the prescribed period will lead to their financial guarantee being used.

51. What are the minimum prices set for GHG emission units at ministerial sales by mutual agreement?

GHG emission unit prices at direct sales by mutual agreement are set in advance. Initially \$40 for category A, \$45 for category B and \$50 for category C, the prices increase annually by 5% (plus inflation), starting in 2014.

52. What currency should be used for bids submitted at ministerial direct sales by mutual agreement?

Bids should be submitted in Canadian dollars.

53. How many GHG emission units are made available to emitters at ministerial direct sales by mutual agreement?

The number of GHG emission units offered for sale is stipulated in the Minister's direct sale notice, which is published at least 60 days prior to the anticipated date of sale.

54. When will the results of ministerial direct sales by mutual agreement be announced to participants and to the general public?

A summary of results, including emission unit sales price by category, names of participating emitters and number of units sold in each category is posted on the MDELCC Web site.

55. What types of financial guarantees are accepted for ministerial direct sales by mutual agreement?

The following types of single or combinations of guarantees are accepted:

- A wire transfer of funds;
- An irrevocable letter of credit issued by a bank or financial services cooperative that is incorporated provincially in Québec, federally in Canada or in another Canadian province or territory;
- A letter of guarantee issued by a bank or financial services cooperative that is incorporated provincially in Québec, federally in Canada or in another Canadian province or territory.

Guarantees must be in Canadian dollars.

56. What is the deadline for submitting a financial guarantee?

Financial guarantees must be deposited into a bank account belonging to the financial services administrator, no later than twelve (12) days prior to the date of direct sale by mutual agreement. The exact date and time by which financial guarantees are to be deposited is included in the notice of direct sale, which is published no later than sixty (60) days prior to the date of sale.

57. How is payment to be made for successful bids on GHG emission units?

Successful bidders on GHG emission units make payment by funds transfer payable to the financial services administrator prior to the deadline stipulated in the notice of ministerial direct sale by mutual agreement. The financial guarantee will be used to cover amounts owed in case of failure to pay in full for all awarded GHG emission units by the deadline.

VIII. Verifications

58. Why are emitters subject to the cap-and-trade system obliged to have their GHG emissions verified?

Third-party verifications of GHG emission reports enable the Minister to establish the credibility of submitted data. It also ensures the integrity and credibility of the cap-and-trade system.

59. What is the role of the verifying organization?

The verifier is responsible for conducting an objective assessment of the GHG emission report in compliance with ISO 14064-3 and the Regulation respecting a cap-and-trade system of greenhouse gas emission allowances. Each GHG emission report should be stipulated as verified and supported by appropriate documentation.

60. Why are verifying organization required to be accredited under ISO 14065, and who performs the accreditation?

Verifying organization accreditation under ISO 14065 ensures that these organizations possess the competence level required to carry out validation and/or verifications per regulatory requirements. This applies to GHG emission reports and to GHG emission reduction projects for offset and early reduction credits (ERCs).

The Standards Council of Canada (SCC) and the American National Standard Institute (ANSI) are accrediting bodies that are recognized throughout North America. Both are members of the International Accreditation Forum

(IAF) under ISO 17011 and are authorized to accredit validation and verification bodies in compliance with ISO 14065.

IX. Linking markets

61. Is the Québec cap-and-trade market linked to other markets?

Yes. A linking agreement exists with California to enable mutual recognition of GHG emission allowances issued in either California or Québec as part of the implementation of their respective cap-and-trade systems. The agreement was unanimously approved by the Québec National Assembly and ratified in November 2013. The two markets have been linked since January 1, 2014.

62. What are the advantages for Québec of linking its market to California's?

Linking the Québec and California markets was a necessity for Québec, since a standalone local market would not have the critical size needed for viability in the medium and long terms.

As the number of partners in the system increases, so does the number of emission allowances. This

makes it easier for emitters and other participants to purchase emission units, and prices drop as a consequence.

Moreover, the linked markets enable system costs to be shared. These include market monitoring, the development, the management and maintenance of the electronic greenhouse gas emission allowance registry (CITSS) and the auction platform.

63. Is there a distinction between California and Québec emission allowances?

No. There is no distinction between emission allowances issued by Québec and those issued by the State of California. Emission allowances are fully fungible between the two cap-and-trade systems, and there is no way to tell them apart. Market price will be identical in both systems.

Offset credits are also recognized by both systems, but are differentiated; that is to say, they are identified by origin and type of project. These differences can thus result in different prices depending on the source and type of offset credit project.

For more information:

<http://www.mddelcc.gouv.qc.ca/changements/carbone/index-en.htm>

<http://www.wci-inc.org/index.php>