

Detailed Price Ceiling Sale Requirements and Instructions

California Cap-and-Trade Program

Price Ceiling Allowances Offered for Sale

The price of the price ceiling sale is set at \$65 per price ceiling allowance or unit in 2021, increasing annually by five percent plus inflation. The number of allowances or units purchased by each entity is determined by dividing the entity’s submitted cash payment by the price of the price ceiling allowance or unit, and rounding down to the nearest whole allowance or unit. All purchases will first be fulfilled by price ceiling allowances, if available. If the Price Ceiling Account does not contain a sufficient number of allowances to fulfill purchases, the California Air Resources Board (CARB) will issue price ceiling units to fulfill the remainder of the purchases at the same price as the price ceiling allowances.

Purchases shall be limited to entities that do not have sufficient eligible compliance instruments in their holding and compliance accounts in the Compliance Instrument Tracking System Service (CITSS) for the next compliance surrender deadline.

Pursuant to section 95913(h)(1)(C) of the Regulation, CARB has transferred all of the allowances remaining in the existing Reserve as of December 31, 2020 into the Price Ceiling Account. On December 31, 2020, the remaining allowances in the Reserve amounted to 77,687,922 allowances. These allowances correspond to 37,076,922 vintage 2016 and 2017 allowances that were transferred to the Reserve after being unsold at auction for more than 24 months pursuant to section 95913(h)(2)(A), and 40,611,000 non-vintage Price Containment Reserve allowances. Table 1 below provides a snapshot of the number of allowances and units that reside in the Price Ceiling Account as of April 2021.

Table 1: Price Ceiling Account as of April 2021

Vintage	Price Ceiling Allowance	Price Ceiling Unit¹
2016	20,891,247	-
2017	16,185,675	-
Non-Vintage Price Containment Reserve Allowances	40,611,000	-

¹ Pursuant to sections 95915(f) and (h), price ceiling units will only be issued if there are insufficient allowances remaining in the price ceiling account to fulfill the purchases of all entities submitting payment and additional instruments are needed to fulfill compliance obligations. This process is further described below in Procedures for Conducting the Price Ceiling Sale.

Price Ceiling Sale Eligibility

California covered entities and opt-in covered entities are eligible to apply for the price ceiling sale only if the following eligibility criteria are met: (1) no Reserve allowances are available for sale, (2) the entity owes a compliance obligation due on the next compliance surrender date, and (3) the entity does not hold sufficient compliance instruments in its CITSS accounts. In addition, a covered or opt-in covered entity must be registered under the California Cap-and-Trade Program and have a CITSS General Holding Account that has not been suspended or revoked to be eligible for approval to participate in a price ceiling sale.² Voluntarily associated entities and individuals are not eligible to participate.

Price Ceiling Sale Application Submittal

The application window for a price ceiling sale will open ten business days after the end of the last Reserve sale, and will close seven business days thereafter. Eligible entities must submit cash payments to the Financial Service Administrator (FSA) during the price ceiling sale application window. The FSA will inform CARB of the amount of payments it received from the eligible entities the day after the price ceiling application window is closed. No payments will be accepted before the application window is open or after the window is closed.

Price Ceiling Sale Schedule

Table 2 presents the schedule of activities that would occur for a 2021 price ceiling sale, if one is held.

² The account must not be revoked or suspended in accordance with sections 95832(f)(4), 95835(c)(2), 95921(g)(3), or 96011 of the Regulation. A revoked account has a status of "Closed" in CITSS.

Table 2: 2021 Price Ceiling Sale Schedule

Activities	Due Date	Time – Pacific Time (PT)/ Eastern Time (ET)
Price ceiling window opens	Wednesday, October 13, 2021	9:00 AM PT/ 12:00 PM ET
Price ceiling window closes (financial settlement in cash due to the Financial Services Administrator)	Friday, October 22, 2021	5:00 PM PT/ 8:00 PM ET
Distribution of price ceiling sale proceeds completion	Friday, October 29, 2021	
Price ceiling results published	Friday, October 29, 2021	12:00 PM PT/ 3:00 PM ET
Transfer of price ceiling allowances and/or units into CITSS Compliance Accounts	Friday, October 29, 2021	

Procedures for Conducting the Price Ceiling Sale

CARB will determine the number of allowances and/or price ceiling units each covered or opt-in covered entity will acquire by dividing the payment submitted by the price ceiling sale price and rounding down to the nearest allowance or price ceiling unit. CARB will determine the number of allowances or price ceiling units purchased by each entity in the following order:

1. If a sufficient number of allowances are available in the Price Ceiling Account to fulfill the purchases of all entities submitting cash payment, then CARB will transfer allowances from the Price Ceiling Account to each covered entity’s compliance account in CITSS by the deadline indicated in the Price Ceiling Sale Schedule (Table 2).
2. If an insufficient number of allowances are available in the Price Ceiling Account to fulfill the purchases of all entities submitting payment, CARB will prorate the available allowances equally among all purchasing entities to the extent possible, and transfer the prorated number of allowances and price ceiling units to fulfill the purchases of all entities submitting payments into each covered or opt-in covered entity’s compliance account.
3. If the Price Ceiling Account has no remaining allowances, then CARB will transfer the appropriate number of price ceiling units into each entity’s account to fulfill the purchase.

Both price ceiling units and allowances purchased from the price ceiling sale can be used to meet the covered or opt-in covered entity's annual compliance need, and both are offered at the same price.

Revenues from the sale of price ceiling units will be expended to achieve emissions reductions on at least a metric ton for metric ton basis that are real, permanent, quantifiable, verifiable, enforceable by the state board and in addition to any greenhouse gas emission reduction otherwise required by law or regulation and any other greenhouse gas emission reduction that otherwise would occur.

Additional Information

Additional information on the California Cap-and-Trade Program is available on CARB webpages as follows:

Cap-and-Trade Program: <https://ww2.arb.ca.gov/our-work/programs/cap-and-trade-program>

Price Ceiling Sale and Reserve Sale Information: <https://ww2.arb.ca.gov/our-work/programs/cap-and-trade-program/auction-information/reserve-sale-information>

CITSS Registration and Guidance: <https://www.arb.ca.gov/citss>

For questions regarding the California Cap-and-Trade Program, please contact the California Air Resources Board Cap-and-Trade Hotline at (916) 322-2037.