

# Nova Scotia Auction and Reserve Sale FAQ

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### **Is an entity required to submit an application for each auction in which it wishes to participate?**

For each auction, one CITSS entity account representative (Primary Account Representative or an Alternate Account Representative) must complete the entity's auction application or confirm the entity's intent to bid in the auction in CITSS. The auction application period opens at least sixty (60) days prior to each auction on the day the auction notice is released and ends thirty (30) days prior to the auction.

Once a participant's auction application has been approved, the participant does not need to complete applications for subsequent auctions or reserve sales (events) as this information is saved in CITSS. **A new application is only required if there is a material change to the information contained in the approved application.** The entity must submit a notice of intent to bid at least thirty (30) days prior to each event. This notice of intent will reconfirm the accuracy of their application information and consent to having the entity name, entity contact information, account numbers, representative names, representative phone numbers, financial guarantee information, and representative email addresses transferred to the Auction and Reserve Sale Administrator and Financial Services Administrator for the purpose of facilitating participation in the auction.

An auction participant's application information is transmitted to the Financial Services Administrator to establish or verify a Financial Services Account. This account is used to manage financial guarantees and payment for allowances awarded. All auction applicant account representatives will receive an email from CITSS notifying them when the Financial Services Account has been established or verified.

Jurisdiction staff will review each participant's event application information, notice of intent to bid, CITSS account status, and financial guarantee, and decide to approve or deny each entity's participation in the event.

### **Where do I send my financial guarantee?**

Financial Services Delivery Instructions provide instruction on where an applicant should send a financial guarantee. To download Financial Services Delivery Instructions, an account representative will log in to CITSS. On the Event Application Detail page, select the "Generate Financial Services Instructions" button to access the Auction and Reserve Sale Financial Services Delivery Instructions page.

### **What is the deadline to post a financial guarantee for an auction or reserve sale?**

Financial guarantees must be provided to the Financial Services Administrator no later than twelve (12) days prior to the start of an auction or reserve sale. Refer to the Auction or Reserve Sale Notice for the deadline date and time.

**How will I know that my financial guarantee has been accepted?**

Once a financial guarantee is recorded in CITSS, all auction applicant account representatives will receive an email from CITSS notifying them that a financial guarantee has been processed. The application status also changes from “applicant” to “qualified applicant”.

**May an entity that is incorporated outside of Canada qualify to bid in the GHG allowance auctions and reserve sales?**

Yes, an entity incorporated outside of Canada may participate and bid in GHG allowance auctions and reserve sales so long as that entity is registered in good standing in CITSS.

**How will the auction schedule be communicated to the potential auction participants?**

The schedule for each GHG allowance auction and reserve sale will be provided in the auction or reserve sale notice on the websites for [Nova Scotia Climate Change](#) and WCI Inc.

**What is the minimum price for an auction?**

The minimum price for an auction is the lowest price at which allowances offered in the Current Auction and Advance Auction will be sold. This price is determined in accordance with the Nova Scotia Cap-and-Trade Program Regulations.

**Is the bid price submitted for a single GHG allowance or for a lot of 1,000 GHG allowances?**

The bid price is entered for a single GHG allowance. For example, a bid is entered as \$15.00 per allowance. Bids must be submitted in lots of 1,000 allowances and bid prices must be in Canadian dollars and whole cents.

**Can auction or reserve sale participants see bids entered by other participants during an auction or reserve sale?**

No, participants cannot see the bids entered by other auction or reserve sale participants. Bids submitted by a participant can be viewed only by that same entity’s account representatives.

**Auctions include a Current Auction and Advance Auction. Is a participant required to bid in both the Current Auction and Advance Auction?**

No, auction participants are not required to bid in both the Current Auction and Advance Auction. A participant can bid in either the Current Auction, Advance Auction, both, or neither during the open auction bidding window.

### **Can a shared account representative place bids for multiple entities?**

If an individual is an account representative on multiple entities' accounts, each time the individual logs in to the Auction Platform he or she will need to select which entity to represent in that session. To submit information for another (different) entity that he or she represents, the individual will need to log out of the Auction Platform and then log back in, selecting the other entity.

### **How is the settlement price determined and winning bids selected in an auction?**

The process to determine the settlement price requires that the Auction Administrator rank qualified bids from all Qualified Bidders from the highest qualified bid price to the lowest qualified bid price. Allowances are awarded to Qualified Bidders, beginning with the highest qualified bid price and moving to successively lower qualified bid prices, until the entire supply of allowances is exhausted, or all qualified bids have been filled. The settlement price for the Current Auction is determined first, followed by the determination of the settlement price for the Advance Auction. For additional details on settlement price determination see the Auction Examples document.

### **What happens if there are more bids than allowances at the lowest price for which allowances are awarded?**

If the sum of the emission allowances included in bids at the lowest price total more than the number of emission allowances available, the emission allowances will be distributed proportionally based on the share of requested emission allowances for each participant.

### **When is the settlement price and notice of successful bids made available to auction participants and the public?**

The date for the release of the settlement price and availability of auction results for qualified bidders is posted in the Auction Notice.

### **How is a reserve sale different from an auction?**

Reserve sales allow participants to bid on and purchase allowances from the reserve account. Reserve sales are open to all participants registered in CITSS with no emission allowances in their general account that can be used to cover GHG emissions for the current compliance period.

Unlike the GHG allowance auctions, the reserve sale does not have a minimum price or a settlement price.

The reserve sale platform will show 3 categories with pre-determined prices for which bids can be placed (Category A, B, and C). However, Nova Scotia will only be offering allowances in Category A. The price of allowances in this category is established annually and provided in the Reserve Sale Notice posted prior to each reserve sale. Please note that due to system functionality, 1 lot of allowances will be placed into Categories B and C each. Any bids placed in these categories will be excluded by the event Sponsor.

Reserve sale participants may place bids in lots of 1,000 allowances and the GHG allowances are awarded until either all allowances are sold from the reserve or all the accepted bids are filled. Additional details for reserve sale processes are provided in the Reserve Sale Notice and supporting documents.

### **What is the difference between a Qualified Applicant and a Qualified Bidder?**

An entity's status varies throughout the auction process. An entity's application status will be one of the statuses listed below.

- Applicant: the application has been submitted by a PAR or AAR.
- Qualified Applicant: a financial guarantee has been accepted by the Financial Services Administrator.
- Qualified Bidder: the application has been approved by the jurisdiction.
- Rejected: the application has been rejected by the jurisdiction.
- Cancelled: application has been cancelled by a PAR or AAR.

### **How will Qualified Bidders financially settle amounts owed for successful bids?**

Qualified Bidders are required to settle allowances awarded in an auction or reserve sale in cash. Once the auction or reserve sale has been certified, account representatives of Qualified Bidders will receive notification of the availability of auction or reserve sale results, which will provide the amount owed. The amount due will be net any cash on deposit with the Financial Services Administrator. However, it will not be net any physical financial guarantee (letter of credit or letter of guarantee). If a physical financial guarantee was submitted, cash must be submitted via wire transfer. All final financial settlements must be made in cash within seven (7) days of notification of the availability of the auction or reserve sale results.

### **When will financial guarantees posted for an auction or reserve sale be returned to participants, if applicable?**

All unused financial guarantees for unsuccessful bidders, regardless of type, will be returned within approximately three (3) business days after the auction is certified.

For successful bidders that provided a cash financial guarantee, the funds will be applied against the final settlement amount owed. If there is cash remaining after the amount owed for awarded allowances has been deducted, the unused cash will be returned within approximately three (3) business days after the auction is certified.

For successful bidders that provided a financial guarantee in the form of a letter of credit, or letter of guarantee, following receipt of all amounts owed, the Financial Services Administrator will return physical financial guarantee instruments.