

# **Detailed Auction Requirements and Instructions**

## **Nova Scotia Cap-and-Trade Program Auction of Greenhouse Gas Allowances**

**Updated on April 3, 2023**

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# 1. Introduction

## 1.1. Background

Nova Scotia officially launched a provincial Cap-and-Trade Program on January 1<sup>st</sup>, 2019. The Cap-and-Trade Program is administered through the *Cap-and-Trade Program Regulations* established underneath the *Environment Act*.

The auction of emission allowances offers an opportunity for participants to bid on emission allowances that can be used to meet compliance obligations, or to be sold throughout the market. This document, the Detailed Auction Requirements and Instructions, includes the detailed requirements and instructions for participating in an auction of emission allowances under Nova Scotia's Cap-and-Trade Program.

## 1.2. General Terms Used in Auction Notices and Supporting Documents

For the purpose of the Auction Notice, Detailed Auction Requirements and Instructions, and Auction Examples documents, the following general terms are used to describe auction requirements, instructions, and systems used.

**“Account Representatives”** means a recognized account agent who is designated as a primary account representative or an alternate account representative under subsection 30(1) to perform the duties in Section 31 of the *Cap-and-Trade Program Regulations*.

**“Applicant”** refers to an entity for which its Primary Account Representative or an Alternate Account Representative has submitted an application in the Compliance Instrument Tracking System Service (CITSS) to participate in an auction or reserve sale (event).

**“Approval or rejection of auction participation”** refers to the determination to approve or refuse an entity's participation in an auction as described in Section 64 of the *Cap-and-Trade Program Regulations*.

**“Auction Administrator”** refers to the party which provides Auction and Reserve Sale Administrative Services.

**“Auction Notice”** refers to the official auction notice that will be released for each auction, notifying the public of the upcoming allowance auction as described in Section 60 of the *Cap-and-Trade Program Regulations*. Release of an Auction Notice marks the beginning of the application period for an auction.

**“Auction Platform”** refers to the electronic platform through which allowance auctions and reserve sales are conducted. The Auction Platform can be accessed at <https://www.wci-auction.org/ns>

**“Auction Reserve Price”** refers to the minimum price at which an allowance will be sold in an auction as described in Section 70 of the *Cap-and-Trade Program Regulations*. Bids submitted with a bid price below the Auction Reserve Price will not be accepted.

**“Auction Summary Results Report”** refers to the official written summary of results of the auction including the settlement price and list of qualified bidders as described in Section 90 of the *Cap-and-Trade Program Regulations*.

**“Bank Transfer”** or **“Wire Transfer”** refers to an electronic funds transfer, generally in the context of a bid guarantee sent to the Financial Services Administrator or returned from the Financial Services Administrator. For simplicity, this document uses the term wire transfer.

**“Bid Guarantee”** refers to the financial assurance required to be provided by auction applicants for the purpose of bidding in an auction, as described in Section 65 of the *Cap-and-Trade Program Regulations*. The term **“bid guarantee”** is used in the Auction Platform and will therefore be used throughout this document to refer to **“financial guarantee”** as defined in the *Cap-and-Trade Program Regulations*.

**“Bid Price”** refers to the price offered for an emission allowance.

**“Business Relationship”** refers to all entities with a **“business relationship,”** direct or indirect, as defined in Section 3 of the *Cap-and-Trade Program Regulations*.

**“CITSS”** refers to the Compliance Instrument Tracking System Service, the web-based system used to register entities, track allowances and credits from issuance to retirement, and apply to participate in an auction.

**“Consignment”** refers to the act of an entity transferring emission allowances from its Limited Use Holding Account to the Nova Scotia’s Auction Holding Account in CITSS for the purpose of selling those allowances at the next eligible auction.

**“Corporate Association Group”** or **“CAG”** refers to a group of separate accounts in CITSS held by **“related persons”** as defined in Section 3 of the *Cap-and-Trade Program Regulations*.

**“Current Auction”** refers to the auction of allowances with a vintage year that is from the current or previous calendar years.

**“Entity”** refers to an NS entity.

**“Financial Services Administrator”** refers to Deutsche Bank National Trust Company, the entity contracted by WCI, Inc. to provide Financial Services Administration for Auction and Reserve Sales.

**“General Account”** refers to an account assigned to all entities in CITSS to hold emission allowances and credits.

**“Limited Use Holding Account”** refers to an account assigned to all entities in CITSS to hold emission allowances that they have designated for consignment at the next eligible auction.

**“Qualified Applicant”** refers to an entity that has submitted an application to participate in an auction or a reserve sale and has submitted a bid guarantee that was accepted by the Financial Services Administrator.

**“Qualified Bidder”** refers to an entity that has submitted an application to participate in an auction or reserve sale, has submitted a bid guarantee that was accepted by the Financial Services Administrator, and has been approved to participate in the auction or reserve sale.

**“Qualified Bids”** are the bids that remain after a qualified bidder’s submitted bids have been evaluated and reduced to meet all bidding limitations.

**“Reserve Sale”** refers to a sale of allowances as described in Section 60 of the *Cap-and-Trade Program Regulations*.

**“Related Entities”** refers to all entities that are “related persons” in accordance with Section 3 of the *Cap-and-Trade Program Regulations*.

**“Settlement Price”** is the “final sale price” that all successful bidders will pay for their allowances, as described in Section 77 of the *Cap-and-Trade Program Regulations*. This is also the price to be paid to those entities which consigned allowances to an auction.

**“User”** refers to an individual who has undergone the process to obtain a valid CITSS User ID approved pursuant to the *Cap-and-Trade Program Regulations*.

## 2. Auction Administration

### 2.1. Allowances Offered for Sale

Allowances offered for sale during an auction are issued under the *Cap-and-Trade Program Regulations*. The number of allowances listed in the Auction Notice for the auction includes the total number of allowances Nova Scotia Environment and Climate Change offers for sale and any allowances consigned by entities (consigning entities). The allowances listed for the auction can include allowances that remain unsold from an undersubscribed<sup>1</sup> auction in prior auctions. Additional allowances may also be made available for auction from closed Compliance Instrument Tracking System Service (CITSS) accounts and the return of freely allocated allowances as the result of an enforcement settlement. For allowances awarded in the auction, allowances will be transferred to successful bidders’ CITSS accounts pursuant to the requirements of the *Cap-and-Trade Program Regulations*.

### 2.2. Auction Reserve Price

The Auction Reserve Price refers to the minimum price for which emission allowances offered in the auction will be sold. Any bids submitted with a bid price below the Auction Reserve Price will be rejected. The Auction Reserve Price is set in accordance with the *Cap-and-Trade Program Regulations*.

The Auction Reserve Price for 2020 is set at \$20.00 per emission allowance. The Auction Reserve Price will increase annually by 5% plus inflation, where inflation is calculated using Statistics Canada’s all-items Consumer Price Index for Nova Scotia.

### 2.3. Auction Eligibility

The sections below outline the requirements that must be met before an entity is eligible to participate in an auction. The steps required to submit an auction application are discussed in Section 3 of this document.

#### 2.3.1. Entity CITSS Account

An entity must have an approved account in CITSS before applying to participate in an auction or reserve sale (event). Additionally, an individual must be approved as an account representative of an entity in

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<sup>1</sup> An undersubscribed auction is an auction with total qualified bids less than the total allowances offered for sale.

order to submit an application in CITSS to participate in an event and/or bid on behalf of that entity in the Auction Platform.

### *2.3.2. CITSS Representative and Entity Account Information*

Certain entity information submitted to Nova Scotia Environment and Climate Change as part of the process of registering in CITSS for an account, or updated after approval of a CITSS account, will be included as part of the entity's auction eligibility information. This includes:

1. Corporate identity, ownership, and capital structure of the entity;
2. The existence of any related entities or business relationships; and
3. The allocation of the holding limit within a Corporate Association Group (CAG), if applicable.

Most information related to corporate identity is submitted in CITSS while information related to corporate ownership, capital structure of the entity, the existence of any related entities or business relationships, and any allocation of the holding limit within a CAG, is submitted by hard copy outside of CITSS.

Entities are required to ensure that their account information in CITSS and on file with Nova Scotia Environment and Climate Change is up to date prior to each event the entity intends to participate in. All changes in auction eligibility information listed in Section 61(1) of the *Cap-and-Trade Program Regulations*, including those that require submittal of hard copy or electronic documentation, must be submitted prior to the close of the auction application period (thirty (30) days prior to the date the auction is held). Pursuant to Section 61(2) of the *Cap-and-Trade Program Regulations*, changes to corporate identity and business relationship disclosures related to another registered entity prior to an auction must be completed no later than ten (10) days before the auction application deadline (forty (40) days prior to the date the auction is held).

If during an auction application period, an entity needs to add, remove, or update their information, this should be completed prior to an auction application being submitted where possible. If any change to the account information is completed after an auction application is submitted, it may limit the entity's ability to be approved to participate in the auction.

If during an auction application period, an entity needs to add, remove, or change the current account representatives this should be completed as soon as possible. If any change to account representatives is not reflected in CITSS, it may limit the account representatives' ability to represent an entity in an auction.

To update account representative or account information in CITSS, the following steps should be followed:

1. Enter changes as needed in CITSS. CITSS can be accessed at <https://www.wcicitss.org> or from Nova Scotia Environment and Climate Change's and WCI, Inc.'s websites;
2. Complete and submit any forms or hard copy documentation required to support the changes entered in CITSS in accordance with regulatory requirements; and
3. Approval by the Registrar should occur within ten (10) business days of receiving all required hard copy documentation.

### *2.3.3. Participation by Related Entities*

All entities must disclose related entities and business relationships with other entities registered in the Nova Scotia Cap-and-Trade Program. Entities registered in CITSS must disclose all related entities and business relationships, as specified in Section 8(1)(e) of the *Cap-and-Trade Program Regulations*. Any change to an entity's registration information listed in section 8(1) of the *Cap-and-Trade Program Regulations* must be updated within thirty (30) calendar days from the effective date of the changes.

Any entities that wishes to participate in an auction must disclose any changes to information regarding related entities and business relationships required to be disclosed no later than forty (40) days before the auction. Information on related entities must include how the holding limits will be shared with other entities. If a registered entity that is not participating in an auction is a related entity to another entity that wishes to participate in an auction, both entities must disclose any changes to information regarding related entities and business relationships no later than forty (40) days before the auction. The disclosures should include how the holding limits will be shared with other entities with which they are related entities.

These disclosure requirements (by all related entities) are a condition of participation for all entities that wish to participate in an auction. Providing incomplete or inaccurate information regarding related entities may cause an entity's auction application to be rejected.

Related entities must share holding limits. Entities who are related entities are entered into a CAG and are required to allot portions of the holding limit and among themselves, pursuant to Sections 21(2) of the *Cap-and-Trade Program Regulations*.

Most information related to corporate identity would be submitted in CITSS, while information related to corporate ownership, capital structure of the applicant, the existence of any parent company, subsidiaries and other business relationships, and allocation of the holding limit among members of a CAG would be submitted using the "Business Relationship Disclosure Form" which can be downloaded from Nova Scotia Environment and Climate Change's website. For all entities, if a change to related entities or business relationships affects auction participation eligibility, that change, and any additional actions required by that change, must be approved prior to the end of an auction application period or the entity(ies) involved may not be able to participate in the auction. Additionally, if any change of ownership becomes effective after an application period ends and prior to the scheduled date for distribution of emission allowances resulting from an auction, the entities impacted by the change of ownership may not be able to receive the emission allowances for which they successfully bid on.

### *2.3.4. Auction Eligibility Information Material Change*

An entity may need to change auction eligibility information that is either submitted in CITSS or submitted in hard copy or electronic form outside of CITSS. Entities must submit an auction application at least thirty (30) days prior to each auction.

If a material change occurs to an entity's auction eligibility information after an auction application period closes, it may limit the entity's ability to participate in the auction or for an account representative to represent an entity in an auction. A material change to the information contained in an approved application is a change in any auction eligibility information that could influence a decision by Nova Scotia Environment and Climate Change to approve, or not approve, auction participation. This

would include, but is not limited to, a change in ownership, corporate identity (e.g., entity's legal name, type of organization, date and place of incorporation, tax identification number), business relationships with entities registered in CITSS, allocation of the holding limit among related entities, and any required attestation response. Other changes may be a material change depending on the specific nature of the change (e.g., change in names of officers and directors, names and contact information for employees with market position knowledge, names and contact information for cap-and-trade consultants).

## 3. Auction Application

### 3.1. Submit Auction Application

This section outlines the steps for submitting an application to participate in an auction. For each auction, the auction application period starts at least sixty (60) days prior to the auction with the release of the Auction Notice and ends no later than thirty (30) days prior to the auction. The due date for submitting an auction application in CITSS is the date and time the auction application period closes as set out in the Auction Schedule provided in the Auction Notice available from Nova Scotia Environment and Climate Change's website.

For each auction, one CITSS entity account representative completes and submits the entity's auction application in CITSS. Auction application information (such as bid guarantee return instructions) is retained in CITSS once an entity becomes a qualified bidder for an event (i.e., the auction application submitted for the prior event is approved).

Entities must complete and submit auction application information at least thirty (30) days prior to each auction. In CITSS, entity representatives can create auction applications, as well as view existing auction applications, using the buttons under the Initiate Event Participation section of the Auction tab. The auction application process includes the following steps, which are described in more detail in the sections that follow:

1. Select the event in which the entity intends to bid;
2. Provide information on the form of the bid guarantee to be submitted as well as return instructions for any unused portion of the bid guarantee; and
3. Complete the Attestation response in CITSS and submit the auction application.

#### *3.1.1. Select the Event in Which the Entity Intends to Bid*

An account representative must access CITSS and initiate event participation for the auction in which the entity intends to bid. To do so, an account representative must access the Auction tab on the Account Detail page for an entity. From the Auction tab, an account representative will be able to initiate participating in an event once an application period is opened for an event.

#### *3.1.2. Provide Information on the Form, Currency, and Return Instructions of the Bid Guarantee to be Submitted*

The account representative must select the form of bid guarantee<sup>2</sup> that the entity intends to submit for the auction. Auction applicants can identify one or a combination of the three forms of bid guarantee in

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<sup>2</sup> All bid guarantees submitted for an event in Nova Scotia must be submitted in CAD.

CITSS on the Create Event Application/Confirm Existing Data for Event page. A bid guarantee submitted for an auction must be in one or a combination of the following forms:

- Cash in the form of a wire transfer;
- An irrevocable letter of credit (LOC) issued by a bank constituted under the Bank Act or by a financial services cooperative constituted under the Act respecting financial services cooperatives; or
- A letter of guarantee (LOG) issued by a bank constituted under the Bank Act or by a financial services cooperative constituted under the Act respecting financial services cooperatives.

Based on the form of bid guarantee selected, the representative will also complete instructions for the return of any unused bid guarantee amounts or physical bid guarantee instruments after the auction is completed.

When a cash bid guarantee is provided, unused cash on deposit will be returned through a Federal Reserve Wire Network (Fedwire) transfer. The return instructions typically require the following information:

- Beneficiary Bank Name;
- Beneficiary Bank Routing Number
  - An American Bankers Association (ABA) number or Canadian Routing Number must be provided in the return instructions;
  - A SWIFT/Bank Identifier Code (BIC) should be provided for international transfer of funds. If the Beneficiary Bank and the Financial Services Administrator returning funds are in the same country, a SWIFT/BIC is not required;
  - If a SWIFT/BIC is provided, a Bank Routing Number does not need to be provided;
- Beneficiary Account Name; and
- Beneficiary Account Number.

After an auction is conducted, if return of funds to the qualified bidder requires an Intermediary Bank, such as if the qualified bidder is using a non-U.S. financial institution, additional information may be required and can be submitted in the Intermediary Bank Information section of the Bid Guarantee Return Instructions - Cash Bid Guarantee pane in CITSS.

It is recommended that the entity's account representative contact the Financial Services Administrator to ensure all necessary information for return instructions has been received.

Physical bid guarantee instruments will be returned by FedEx or DHL delivery, and therefore must be returned to a physical address. The return instructions require the following information:

1. Name of a contact individual;
2. Complete street address for return mailing
  - a. Return Address (must be a physical address; no PO Box<sup>3</sup>);
  - b. Return City;
  - c. Return Postal Code;

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<sup>3</sup> The Financial Services Administrator cannot return physical bid guarantee instruments to a PO Box address as a signature is required to ensure security of the instruments and to allow for confirmation of receipt.

- d. Return State/Province;
- e. Return Country
- 3. Return Contact Phone Number

Electronic bid guarantee instruments delivered to the FSA by email will be returned by the FSA by replying to the email to which the bid guarantee instrument was attached.

All bid guarantees (cash, letters of credit, or letters of guarantee) must be submitted directly to the Financial Services Administrator, as described in the “Submit a Bid Guarantee” section of this document (Section 4).

### *3.1.3. Complete the Attestation Response in CITSS and Submit the Auction Application*

#### 3.1.3.1 Complete Attestation Response

The Create Event Application/Confirm Existing Data for Event page in CITSS includes a required Attestation Response.

Selecting **“Yes”** to this Attestation Response indicates that the representative completing this auction application understands the requirements of the *Cap-and-Trade Program Regulations*, and attests that, to the best of the representative’s knowledge, **none of the individuals recognized as account agents for the auction applicant have been found guilty of a criminal offence, an offence under the Act, or Securities Act.**

Selecting **“No”** to this Attestation Response indicates that the representative completing this auction application understands the requirements of the *Cap-and-Trade Program Regulations*, and attests that, to the best of the representative’s knowledge, **one or more of the individuals recognized as account agents for the auction applicant has been found guilty of a criminal offence, an offence under the Act, or Securities Act for which no pardon, including a record suspension within the meaning of the Criminal Records Act (Canada), has been obtained.**

If a representative needs to provide additional information in response to the Attestation, please contact the Nova Scotia Environment and Climate Change representative provided in the Auction Notice.

#### 3.1.3.2 Submit the Auction Application

After the Attestation Response has been completed, the representative submits the auction application by selecting the “Confirm” button. By submitting the auction application, the representative agrees to have the entity name, entity contact information, account numbers, representative names, representative phone numbers, bid 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 selected event.

## 3.2. Receipt of Auction Application

Upon successful submission of an auction application, the entity’s account representatives will receive an email from CITSS with the subject line “CITSS Event Application Update” indicating that there is a change to the application status. The email will only indicate a change in the application status. For

information on any change in application status, including acceptance of an application, an account representative can log in to CITSS to confirm the current auction application status.

### 3.3. Editing an Auction Application

Auction applications can be edited before the application period has closed. Under the Auction tab, an account representative can select view all past and current Event Applications. If an auction application was submitted and the application period is still open, an account representative can select that application and edit it from the Event Application Detail page.

### 3.4. Editing Bid Guarantee Return Instructions

Bid guarantee return instructions can be edited before or after the application period has closed. Under the Auction tab, an account representative can select view all past and current Event Applications. If an auction application was submitted and the application period is still open, an account representative can select that application and edit it from the Event Application Detail page.

### 3.5. Cancelling an Auction Application

Auction applications can be cancelled up until the application period closes. Entities that apply to participate in an auction and subsequently decide not to participate can cancel the application in CITSS.

## 4. Submit a Bid Guarantee

### 4.1. Bid Guarantee Requirements and Use

After an auction application has been submitted, each applicant that wishes to participate in an auction must submit a bid guarantee directly to the Financial Services Administrator. The Financial Services Administrator will receive and maintain all bid guarantees submitted as financial assurance. All cash bid guarantees submitted will be held in a non-interest-bearing account with the Financial Services Administrator.

**Final bid guarantees must be received by the Financial Services Administrator in CAD by no later than the date listed in the Auction Schedule provided in the Auction Notice.**

The amount of the bid guarantee provided to the Financial Services Administrator will be used to set applicant bidding limitations in the auction. The amount of the bid guarantee must be greater than or equal to the applicant's maximum bid value (i.e., maximum value of the bids the applicant intends to submit during the event). Auction bid evaluations and settlement price determinations (including bid assessments, the settlement price, and the cost of all allowances awarded) is conducted in CAD. To determine the bid guarantee amount to provide, examples are provided in the Auction Examples document available from Nova Scotia Environment and Climate Change's website. These are only examples; applicants are responsible for doing their own calculations to determine the amount of bid guarantee to submit.

### 4.2. Bid Guarantee Submittal Process

The process for submitting a bid guarantee includes the following steps, which are described in more detail in the sections that follow:

1. Receive notice that a Financial Services Account has been established or verified;
2. Download Financial Services Delivery Instructions; and
3. Submit a bid guarantee to the Financial Services Administrator.

#### *4.2.1. Receive Notice that a Financial Services Account has Been Established or Verified*

After the auction application is submitted, the Financial Services Administrator will complete the process to establish (first time applicant) or verify (previous applicant) the applicant's Financial Services Account in which the applicant's bid guarantee will be recorded.

Applicants that have not previously established a Financial Services Account and those with changes in related persons and business relationships may need to provide additional information to the Financial Services Administrator to support the account being established or verified.

The Financial Services Administrator will establish or verify a Financial Services Account for each applicant to an auction for purposes of facilitating bid guarantee submission (prior to the auction) and payment for allowances awarded (after auction certification).

An applicant's account representatives will receive an email from CITSS with the subject line "CITSS Event Financial Services Information Update" when the applicant's financial services account number is established or verified and becomes available in CITSS.

#### *4.2.2. Download Financial Services Delivery Instructions*

Once an applicant's Financial Services Account Number has been established or verified, the account representatives may download the applicant's Financial Services Delivery Instructions from CITSS. The Financial Services Delivery Instructions will include the information needed to submit the bid guarantee, including the Financial Services Account Number which must be referenced when submitting a bid guarantee to the Financial Services Administrator, wiring instructions for submitting cash by wire transfer, mailing instructions for submitting physical bid guarantee instruments by mail, and instructions for submitting electronic bid guarantee instruments.

To access an applicant's Financial Services Delivery Instructions, an account representative must log in to CITSS and select the "Generate Financial Services Instructions" button on the Event Application Detail page to access the Auction and Reserve Sale Financial Services Delivery Instructions page.

#### *4.2.3. Submit a Bid Guarantee to the Financial Services Administrator*

##### [4.2.3.1. Requirements for Submitting a Cash Bid Guarantee \(Wire Transfer\)](#)

Cash wire transfers must be received by the Financial Services Administrator by the deadline date and time for receipt of bid guarantees as listed in the Auction Schedule provided in the Auction Notice. Cash wire transfer instructions are provided in the Financial Services Delivery Instructions downloaded from CITSS and are outlined below. Be advised that Automated Clearing House (ACH) wire transfers can take at least 24 hours to complete.

**If the cash wire transfer (Fedwire or ACH) is not received by the deadline for receipt of a bid guarantee, it will not be accepted regardless of the time the transfer was initiated.**

**In order for the Financial Services Administrator to receive the funds by the deadline for receipt of bid guarantees, it is very important that the cash wire transfer details are set up exactly as provided in the applicant’s Financial Services Delivery Instructions. Also note that if the instructions are incomplete or inaccurate, the Financial Services Administrator may not receive the cash wire. The funds may also be retained by an intermediary bank due to the lack of accurate information in the wiring instructions. If funds are not received by the Financial Services Administrator by the deadline date and time as listed in the Auction Schedule provided in the Auction Notice, approval to participate in the auction will be denied.**

4.2.3.2. Instructions for Wiring CAD

The Society for Worldwide Interbank Financial Telecommunication (SWIFT) wire transfer details must include the information in Table 1.

Intermediary Bank Name:	<b>Royal Bank of Canada</b>
Intermediary Bank SWIFT / Bank Identifier Code (BIC):	<b>ROYCCAT2</b>
Beneficiary Bank Name:	<b>Deutsche Bank AG Frankfurt</b>
Beneficiary Bank IBAN:	<b>DE28500700100959163708</b>
Beneficiary Bank SWIFT / Bank Identifier Code (BIC):	<b>DEUTDEFF</b>
Beneficiary Bank Account Name:	<b>DBTCA for DBNTC as FSA for WCI, Inc.</b>
Payment Details (including instructions on fees):	<b>WCI Auction<sup>4</sup> and Financial Services Account Name</b> , as provided in the Financial Services Delivery Instructions, available in CITSS
Port:	<b>Applicant’s Financial Services Account Number</b> , as provided in the Financial Services Delivery Instructions, available in CITSS.

*Table 1: Instructions for bid guarantee CAD cash wire transfers*

CAD amounts wired by auction applicants are sent to Deutsche Bank AG in Germany. Therefore, it is very important that the New York postal address (used for mailing physical bid guarantees, explained further below) not be used when completing the cash wire transfer form. The address is not necessary for the Financial Services Administrator to process the transfer, but if a postal address for the Beneficiary Bank must be included by the issuing institution, use the address in Table 2

Bank name:	DEUTSCHE BANK AG
Address:	TAUNUSANLAGE 12
City:	FRANKFURT AM MAIN
Postal code / Location:	60262 FRANKFURT AM MAIN
Country:	GERMANY
Bank indicator:	BANK
SWIFT BIC:	DEUTDEFF

<sup>4</sup> WCI Auction is how the Financial Services Administrator refers to the Nova Scotia auction. WCI refers to the Western Climate Initiative, Inc.

Table 2: Postal address to be used for submitting cash wire transfers

A cash wire transfer bid guarantee may require an international funds transfer. There are fees associated with an international funds transfer. All the fees associated with a SWIFT wire transfer must be paid by the applicant in advance or the fees will be deducted from the amount of the bid guarantee wire transfer.

- The SWIFT instruction <<OUR>> indicates that the party making the transfer has paid the fees in advance.
- Applicants are advised to communicate with their financial institutions to verify how to proceed with bank (wire) transfers.

Cash wire transfers that are returned by the Financial Services Administrator to an applicant due to an error or incomplete wire transfer details may result in a returned wire fee, which would be reflected in the wire amount returned to the applicant. A returned wire fee is not an auction fee and is not received by Nova Scotia Environment and Climate Change. A returned wire fee is a common banking transaction fee not related to the Nova Scotia Cap-and-Trade Program, or the auction process.

#### [4.2.3.3. Requirements for Submitting a Physical Bid Guarantee Instrument \(LOC or LOG\)](#)

Physical bid guarantee instruments must be received by the Financial Services Administrator in final form by the deadline date and time for receipt of bid guarantees as listed in the Auction Schedule provided in the Auction Notice. The instructions for submitting physical bid guarantees are provided in the Financial Services Delivery Instructions and outlined below.

**Complete and proper addressing is critical to ensure receipt of all physical bid guarantee instruments by the deadline date and time. When sending physical bid guarantee instruments, include the following full address for the Financial Services Administrator:**

Auction and Reserve Sale Financial Services Administrator  
c/o Deutsche Bank Trust Company Americas  
1 Columbus Circle, 17<sup>th</sup> Floor  
MS NYC01-1710  
New York, NY 10019  
Phone: (212) 250-2885  
Email: db.wcisupport@db.com

**Electronic bid guarantee instruments that are consistent with Canadian banking laws and the practices of the issuing bank may be submitted by email to the Financial Services Administrator:**

The issuing bank must include the following statement in the email to which the electronic PDF version is attached:

*“This [Letter of Credit or Letter of Guarantee] signed by the issuing bank is legally valid and enforceable. The issuing bank is transmitting this [Letter of Credit or Letter of Guarantee] to the beneficiary by electronic transmission (PDF via email) to DB.WCISUPPORT@DB.COM. For the avoidance of doubt, any electronic PDF version of this [Letter of Credit or Letter of Guarantee] received*

*by the beneficiary shall be the operative instrument and may be used by the beneficiary as it would a hardcopy original. The beneficiary is able to submit a draw request on the operative instrument. In addition, when applicable, the beneficiary will reply to all addressees on this email to confirm cancellation of the electronic operative instrument. The Reply email will serve as the return of the bid guarantee.”*

The issuing bank should copy bank representatives that will cancel the electronic bid guarantee as instructed by the beneficiary. Deutsche Bank Trust Company Americas will cancel the electronic operative instrument by replying to the email to which the electronic bid guarantee was attached.

**Please include the Entity Legal Name, CITSS Entity ID, and Financial Services Account Number on the Letter of Credit or Letter of Guarantee when mailing the bid guarantee form(s) to ensure the bid guarantee is properly associated to the applicant’s account. Include this information as it appears in the Financial Services Delivery Instructions (downloadable from CITSS).**

**“Deutsche Bank Trust Company Americas”** is the institution name required for delivery of physical bid guarantees, while **“Deutsche Bank National Trust Company, DBTCA for DBNTC as FSA For WCI, Inc.”** is used as the Beneficiary Bank Name provided for a cash bid guarantee. Applicants submitting physical bid guarantees should note the different names and ensure that both the Beneficiary Bank Name and the institution name included in the mailing address are correct. Refer to the Financial Services Delivery Instructions provided in CITSS for complete information.

When an applicant submits a physical bid guarantee instrument, the Financial Services Administrator will evaluate the instrument and identify any amendments that are necessary to meet the requirements. If a physical bid guarantee instrument must be amended, the amendment must be completed and received in physical form by the Financial Services Administrator by the deadline for receipt of bid guarantees. **Amendments to physical bid guarantee instruments will not be accepted after the deadline date and time as listed in the Auction Schedule provided in the Auction Notice.**

Nova Scotia Environment and Climate Change encourages entities to do the following:

1. Submit a sample LOC or LOG to the Financial Services Administrator for review;
2. Submit final documents early enough to provide time for amendment, if needed;
3. Submit final documents via overnight delivery and retain a tracking number;
4. Provide contact information for the issuing bank in the event that a draw on the physical bid guarantee is required to complete financial settlement for allowances awarded; and
5. Confirm receipt of bid guarantees with the Financial Services Administrator.

If a bid guarantee is not received by the Financial Services Administrator in final form by the deadline date and time as listed in the Auction Schedule provided in the Auction Notice, the auction application will be rejected.

**Please include the Entity Legal Name, CITSS Entity ID, and Financial Services Account Number on the Letter of Credit or Letter of Guarantee to ensure the bid guarantee is properly associated to the applicant’s account.**

#### 4.2.3.4. Requirements for Submitting a Letter of Credit (LOC)

A LOC submitted as a bid guarantee must be issued by a bank or financial services cooperative with a Canadian banking license. All bid guarantees in the form of a LOC require the following non-negotiable terms:

- The LOC must refer to the Entity Legal Name or Entity Operating Name in CITSS as provided in the entity's auction application;
- The beneficiary must be listed as<sup>5</sup>:

**Deutsche Bank National Trust Company,  
DBTCA for DBNTC as FSA for WCI, Inc.  
1 Columbus Circle, 17<sup>th</sup> Floor  
New York, NY 10019**

- The LOC must be irrevocable;
- The amount of the LOC must be included;
- The expiration or maturity date must be at least twenty-six (26) days after the scheduled auction day;
- There must be instructions included indicating where to submit the LOC for payment;
- The LOC must allow for presentment by facsimile (Fax) (delivery in person or by courier cannot be required);
- There must be a payment certificate/form of draw included as an exhibit or annex to the LOC;
- The LOC must be payable within three (3) business days; and
- There must be a draw cut off time of no earlier than 9:00 AM Pacific Time (PT) / 12:00 PM (Noon) Eastern Time (ET) for same day draw.

If any of these terms are not met by the deadline date and time listed in the Auction Schedule provided in the Auction Notice for receipt of all bid guarantees by the Financial Service Administrator, the submitted LOC will be rejected. **If the submitted LOC requires revisions, all revisions must be completed and received in physical form by the deadline for receipt of bid guarantees or the LOC will not be accepted and the auction application will be rejected.**

#### 4.2.3.5. Requirements for Submitting a Letter of Guarantee

All bid guarantees in the form of a LOG require the following non-negotiable terms:

- The LOG must refer to the Entity Legal Name or Entity Operating Name in CITSS as provided in the applicant's application;

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<sup>5</sup> The Beneficiary Bank Name must be entered exactly as shown, which differs from the institution name provided in the mailing address. Refer to the Financial Services Delivery Instructions provided in CITSS for complete information.

- The beneficiary must be listed as<sup>6</sup>:

**Deutsche Bank National Trust Company,  
DBTCA for DBNTC as FSA for WCI, Inc.  
1 Columbus Circle, 17<sup>th</sup> Floor  
New York, NY 10019**

- The amount of the LOG must be included;
- The expiration date must be at least twenty-six (26) days after the scheduled auction day;
- There must be instructions included indicating where to submit the LOG for payment;
- The LOG must allow for presentment by facsimile (Fax) (delivery in person or by courier cannot be required);
- There must be a payment certificate/form of draw included as an exhibit or annex to the LOG;
- The LOG must be payable within three (3) business days of a payment request; and
- There must be a draw cut off time of no earlier than 9:00 am Pacific Time (PT) / 12:00 PM (Noon) Eastern Time (ET) for same day draw.

If any of these terms are not met by the deadline date and time listed in the Auction Schedule provided in the Auction Notice for receipt of bid guarantees by the Financial Service Administrator, the submitted LOG will be rejected. **If the submitted LOG requires revisions, all revisions must be completed and received in physical form by the deadline for receipt of bid guarantees or the LOG will not be accepted and the auction application will be rejected.**

#### 4.3. Receipt of Bid Guarantee

An applicant's account representatives will receive an email from CITSS with the subject line "CITSS Event Financial Services Information Update" when there is an update to the applicant's financial services account number or bid guarantee information. For information on any updates, including if the Financial Services Administrator has accepted a bid guarantee, the account representatives can log in to CITSS to confirm the current auction application status. Once a bid guarantee has been accepted by the Financial Services Administrator, the application status for the entity will change from "Applicant" to "Qualified Applicant." Additionally, the Bidding Limitation Data section of the Event Application Detail page in CITSS will display the Total Bid Guarantee amount recorded by the Financial Services Administrator. If no bid guarantee that meets the requirements is received by the deadline date and time listed in the Auction Schedule provided in the Auction Notice, the auction application will be rejected.

#### 4.4. Bid Guarantee Revision Process

If a bid guarantee in the form of a LOC or LOG requires revision, all revisions must be completed and received in physical form by the deadline date and time for receipt of bid guarantees as listed in the

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<sup>6</sup> The Beneficiary Bank Name must be entered exactly as shown, which differs from the institution name provided in the mailing address. Refer to the Financial Services Delivery Instructions provided in CITSS for complete information.

Auction Schedule provided in the Auction Notice or the bid guarantee will not be accepted and the auction application will be rejected. If a bid guarantee in the form of a LOC or LOG provided to the Financial Services Administrator needs to be revised:

1. The applicant will be notified by the Financial Services Administrator of the need for revision;
2. The applicant should contact the financial institution that issued the bid guarantee instrument and request an amendment; and
3. The revised bid guarantee must be received in physical form by the deadline for receipt of bid guarantees or it will be rejected. Emailed, scanned, and PDF versions of a bid guarantee or bid guarantee amendment will **not** be accepted as a bid guarantee.

**The Financial Services Administrator (Deutsche Bank) may be contacted as follows:**

**Email: [db.wcisupport@db.com](mailto:db.wcisupport@db.com)**

**Phone: (714) 247-6167 and (212) 250-3018**

#### **Bid Guarantee Submittal Summary**

- An applicant submitting a bid guarantee by cash wire transfer must provide all required wire transfer information listed in this document and in the Financial Services Delivery Instructions to ensure the bid guarantee is accepted and associated with the proper account.
- Cash wire transfers must be in CAD and must be received by the Financial Services Administrator by the deadline date and time for receipt of bid guarantees as listed in the Auction Schedule provided in the Auction Notice.
- An applicant is responsible to ensure proper addressing when mailing a physical bid guarantee instrument.
- An applicant is responsible to ensure a physical bid guarantee instrument (LOC or LOG) is received in final form by the Financial Services Administrator, including all required non-negotiable terms, by the deadline date and time for receipt of bid guarantees as listed in the Auction Schedule provided in the Auction Notice.
- A bid guarantee or bid guarantee amendment received after the deadline date and time for receipt of bid guarantees as listed in the Auction Schedule in the Auction Notice will not be accepted.
- Emailed, scanned, and PDF versions of a bid guarantee or a bid guarantee amendment will not be accepted as a bid guarantee.

If a bid guarantee is not received by the deadline date for receipt of bid guarantees as listed in the Auction Schedule provided in the Auction Notice, the auction application will be rejected.

## 5. Receive Notice of the Qualified Applicant's Approval to Participate

Nova Scotia Environment and Climate Change staff will review Qualified Applicant's information, CITSS account status, and bid guarantee, and make a determination to approve or deny each entity's participation in the auction. Once Nova Scotia Environment and Climate Change approves or rejects an entity for auction participation, the account representatives for the entity will receive an email confirming approval or denial to participate in the auction. In CITSS, the status of the auction application for the entity will either change from "Qualified Applicant" to "Qualified Bidder" if the entity is approved, or it will change from "Qualified Applicant" to "Rejected" if the auction application is denied. This is anticipated to occur within two (2) business days before the scheduled auction date. Each entity that has completed an auction application, submitted a bid guarantee that was accepted by the Financial Services Administrator, and has been approved to participate in the auction is referred to as a "Qualified Bidder."

The reasons for possible denial of an applicant's (or qualified applicants) participation in an auction include, but are not limited to, the following:

- The applicant does not have an active CITSS account;
- The applicant's general account has been revoked or is currently suspended;
- The applicant is not represented by an active account representative;
- The applicant has not provided complete information on business relationships;
- The applicant has not submitted a bid guarantee to the Financial Services Administrator by the deadline date and time as listed in the Auction Schedule provided in the Auction Notice; or
- The applicant has provided false or misleading information in the auction application.

## 6. Participate in the Auction

All previous steps related to auction application are conducted in CITSS. The following steps, directly related to bidding in an auction and retrieving the auction results, are conducted in the Auction Platform. The Auction Platform can be accessed at <https://www.wci-auction.org/ns>.

The auctions will be conducted through the electronic, internet-based Auction Platform using a single round, sealed bid auction format. Bid quantities must be submitted in multiples of 1,000 allowances (1 bid lot = 1,000 allowances).

### 6.1. Access to the Auction Platform

#### *6.1.1. PAR/AAR Auction Platform Accounts*

An account representative authorized by a qualified bidder to act on its behalf in an auction must have an active Auction Platform account, which is separate and distinct from a CITSS account. Only those representatives with an active Auction Platform account will be able to access the Auction Platform to submit bids on behalf of the qualified bidder during an open bidding window or download reports specific to the auction.

### *6.1.2. Auction Platform Account Activation*

If an individual account representative has previously activated his or her Auction Platform account, that individual will be able to access the Auction Platform using their previously established credentials.

User accounts and CITSS entity account representative status information in CITSS and the Auction Platform are automatically reconciled on a daily basis. Active PARs and AARs of entities in CITSS that have been qualified bidders to a past auction or reserve sale or that have submitted an application to an upcoming auction or reserve sale are eligible to maintain or establish Auction Platform accounts.

Outlined below are details regarding reconciliation of user accounts and entity CITSS account representative status information in CITSS and the Auction Platform:

- CITSS account information, including entity and account representative information, is transferred on a daily basis from CITSS to the Auction Administrator;
- The information transmitted contains information specific only to entities that have been a qualified bidder to a past auction or reserve sale or that have submitted an application to an upcoming auction or reserve sale;
- Users without an Auction Platform account will receive an email inviting the user to establish account credentials for the Auction Platform account within 24 hours of being approved as an active account representative of an entity that has been a qualified bidder to a past event and/or has submitted an application to participate an upcoming event;
- The activation email will be sent to the account representative's current email address listed in CITSS;
- This current email address in CITSS will be the account representative's username in the Auction Platform;
- The email provides an activation link to activate an account and establish an Auction Platform password and security questions
  - The activation link can only be used once; and
  - The activation link will expire twenty-four (24) hours after receipt of the Auction Platform account activation email.

### *6.1.3. Account Representatives Associated with Multiple Entities*

Regardless of the number of entities for which an individual acts as the account representative, that individual can only establish one Auction Platform account. All associations with entities that have been a qualified bidder to a past event and/or have submitted an application to participate in an upcoming event for which an individual is an approved account representative will be reflected in the Auction Platform.

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.

## 6.2. Bidding in the Auction

The account representatives of qualified bidders will be able to submit bids on behalf of the qualified bidders they represent. Account representatives will be able to submit bids manually and upload bid schedules in a pre-defined Excel template in the Auction Platform during the scheduled bidding window.

To bid in the auction, the account representative of a qualified bidder will perform the following actions.

- Submit a bid which includes the vintage of the allowances, number of bid lots (1 lot = 1,000 allowances) and the bid price
  - To bid for allowances in the auction, account representatives must select the bid vintage listed as “Current.”
  - ;
- Enter bid currency in CAD;
- Enter bid prices in whole cents and bid lots in whole numbers greater than zero
  - When adding a bid by manual bid entry, Auction Page validations will not accept bid price entry to more than two decimal points. Similarly, Auction Page validation will not accept a bid lot entry that is not a whole number greater than zero;
  - When adding bids by uploading a bid upload spreadsheet, validations in the spreadsheet restrict bid price entry to two decimal points. Similarly, validations in the spreadsheet also restrict bid lot entry to whole numbers greater than zero;
    - In some circumstances, qualified bidder representatives have copied and pasted data into bid upload spreadsheets, thereby removing validations and resulting in attempts to upload bids not in whole cents;
    - Qualified bidder representatives are responsible to ensure all bid prices submitted are in whole cents. If a representative changes the bid upload spreadsheet, resulting in removal of validations and bid prices uploaded including more than two decimal points, bid prices accepted by the Auction Platform will be rounded to the nearest whole cent;
    - Representatives are encouraged to confirm all bids entered through the bid upload process by viewing the qualified bidder’s bids on the Auction Page or by downloading the Client Bids Audit Report;
  - Qualified bidders may submit as many bids as they wish during the bidding window;
    - An uploaded Excel spreadsheet may contain a maximum of 1,000 bids;
    - Multiple spreadsheets may be uploaded;
- Edit or withdraw confirmed bids as needed during the bidding window
  - Once the bidding window has been closed, no further bids may be entered and no changes to bids can be made.

## 6.3. Bidding Limitations

The *Cap-and-Trade Program Regulations* include several bidding limitations related to the Auction Reserve Price, bid guarantee submitted, purchase limits, and holding limits. These bidding limits are described below.

The Auction Examples document provides additional information and examples of how to determine a bid guarantee amount and bid evaluation procedures for purchase limits, holding limits, and bid guarantees.

#### *6.3.1. Auction Reserve Price Bid Limitation*

The Auction Reserve Price effective during the auction will be listed in the Auction Notice and will be posted on the Auction Platform in CAD the business day prior to the opening of the bidding window. The Auction Reserve Price is the minimum price at which allowances offered in the auction will be sold. Bids submitted with a bid price below the Auction Reserve Price will not be accepted.

The Auction Reserve Price will increase annually by 5% plus inflation, where inflation is calculated using Statistics Canada's all-items Consumer Price Index for Nova Scotia.

#### *6.3.2. Bid Guarantee Bid Limitation*

The *Cap-and-Trade Program Regulations* require bid guarantees to be greater than or equal to the maximum value of the bids submitted (i.e., maximum bid value). The total value of allowances awarded to a qualified bidder cannot exceed the submitted bid guarantee value. The maximum bid value is determined as follows:

- The maximum bid value of a set of bids is the cumulative bid value at the bid price where the cumulative bid value is greatest;
- The cumulative bid value of a set of bids equals the quantity of bid allowances submitted at or above a bid price times that price; and
- The cumulative bid value is calculated at each bid price at which the bidder submits a bid.

Bid evaluation procedures for bid guarantees occurs after the bidding window has been closed and before the settlement price is determined.

#### *6.3.3. Purchase Limit Bid Limitation*

The purchase limit is the maximum number of emission allowances that may be purchased by an entity.

For auctions held in 2023, a qualified bidder is permitted to purchase emission allowances at auction in the amount equivalent to their outstanding allowance obligations for the 2019-2022 compliance period.

The purchase limit cap for each qualified bidder will be transmitted from CITSS to the Auction Administrator the day prior to the auction. The purchase limit will be rounded up to the nearest 1,000.

#### *6.3.4. Holding Limit Bid Limitation*

The holding limit is the maximum number of emission allowances that may be held by an entity or jointly held by a group of related entities. The Auction Examples document provides further detail on how the holding limit applies to an auction.

Related entities that have separate CITSS accounts must allocate shares of the holding limit amongst themselves. In CITSS, related entities that have separate CITSS accounts are assigned to a CAG to manage the allocation of shares of the holding limit amongst members of the CAG. This holding limit allocation results in each entity having a specified percentage share of the CAG's holding limit. The sum

of the percentages allocated among the CAG members must sum to one (100 percent). The percentage assigned to each entity in a CAG is multiplied by the holding limit to calculate the entity holding limit.

In addition to the entity holding limit, each entity has a limited exemption from the holding limit based on an entity's emissions. The maximum number of emission allowances an entity can hold at one time equals the entity holding limit plus the limited exemption. In an auction, each entity's submitted bids are evaluated to ensure that submitted bids do not exceed the entity holding limit plus the limited exemption.

In CITSS, on the Holding Limits tab on the Account Detail page, the Entity Holding Limit and Limited Exemption are displayed. This tab shows the current number of allowances counted towards these limits (displayed as "Balance") and the remaining number of allowances that may be acquired prior to reaching these limits (displayed as "Available").

A holding limit cap for each qualified bidder will be transmitted from CITSS to the Auction Administrator the day prior to the auction. This cap specifies the number of allowances a qualified bidder may acquire before exceeding its entity holding limit plus the limited exemption.

The holding limit cap will reflect CITSS account balances and limited exemption data available in CITSS at approximately 12:00 PM (Noon) ET the day prior to the auction. After 12:00 PM (Noon) ET the day prior to the auction, for qualified bidders, the holding limit cap is displayed in CITSS under bidding limitation data on the Event Application Detail page. The holding limit cap transmitted to the Auction Administrator is used solely for the purpose of administration of the holding limit bid limitation in the auction. Any changes to CITSS account balances after the determination of the holding limit cap due to transfers of emission allowances after 12:00 PM (Noon) ET the day prior to the auction will not be reflected in the Auction Platform on the day of the actual auction.

#### 6.4. Auction Administrator Application of the Bidding Limitations

Submitted bids that contain bid quantities in excess of the purchase limit, holding limit, or have a maximum bid value in excess of the bid guarantee will be rejected, in bundles of 1,000 allowances, until all bid limitations are met. Only that portion of the bid quantity that exceeds one or more limit will be rejected, not the entire bid quantity. "Qualified bids" are the bids that remain after the submitted bids have been evaluated and reduced to meet all bidding limitations. Only qualified bids are used in the auction settlement price determination process. Determination of qualified bids occurs after the bidding window has been closed and before the final settlement price determinations are made.

Please refer to the Auction Examples document for examples on how bidding limitations are applied.

#### 6.5. Settlement Price Determination

Bid evaluation and settlement price determination will be conducted in CAD. All bid assessments, the settlement price, and the cost of all allowances awarded will be determined in CAD.

The process to determine the settlement price requires that the Auction Administrator rank qualified bids from all bidders from the highest qualified bid price to the lowest qualified bid price. Allowances will be awarded to 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 Auction Examples document provides examples of how auctions are settled.

## 6.6. Auction Conduct

### 6.6.1. Non-Disclosure of Bidding Information

Pursuant to Section 63 of the *Cap-and-Trade Program Regulations*, an entity approved for auction participation shall not release any confidential information related to its auction participation, including:

- Intent to participate, or not participate, at auction, auction approval status, and maintenance of continued auction approval;
- Bidding strategy at any auctions, including the specification of an auction settlement price or range of potential auction settlement prices at which an entity is willing to buy or sell allowances;
- Bid price or bid quantity information at past or future auctions;
- Information on the amount of any bid guarantee provided to the Financial Services Administrator.

The *Cap-and-Trade Program Regulations* require that any entity participating in an auction that has retained the services of a consultant or advisor regarding auction bidding strategy must ensure the following:

- The entity must ensure against the consultant or advisor transferring information to other qualified bidders or coordinating the bidding strategy among qualified bidders; and
- The entity will inform the consultant or advisor of the prohibition of sharing information to other qualified bidders and ensure the consultant or advisor has read and acknowledged the prohibition; and
- Inform Nova Scotia Environment and Climate of the retention of an advisor. Any entity that has retained the services of a consultant or advisor must disclose to Nova Scotia Environment and Climate Change information to identify the consultant or advisor, including name, contact information, physical work address, and employer, if applicable. An account representative of the entity must submit the information to Nova Scotia Environment and Climate Change no later than thirty (30) business days prior to the auction at which the bid advisor's services will be employed. They also must inform Nova Scotia Environment and Climate Change if a new advisor is hired or if an advisor is terminated and no new advisor is hired.

### 6.6.2. Market Monitoring

WCI, Inc. has contracted an independent market monitor, Monitoring Analytics, LLC, for the Nova Scotia Cap-and-Trade Program. The purpose of the Market Monitor is to monitor, detect, and report issues relating to the operation of the emission allowance auctions, reserve sales, and secondary markets.

The Market Monitor will monitor the emission allowance auctions and reserve sales and provide ongoing monitoring of emission allowance holdings and market activity. The Market Monitor will monitor the secondary market to identify any indications of anti-competitive behavior, as well as to understand market activity and trades. The Market Monitor's findings will be provided to Nova Scotia Environment and Climate Change staff to review and take action, as needed. Nova Scotia Environment

and Climate Change staff will also monitor the auctions and reserve sales during the bidding window and review submitted bids to determine if there are any indications of anticompetitive behavior.

Any fraudulent, manipulative, collusive, or non-competitive behavior in an emission allowance auction or reserve sale may be investigated and prosecuted in accordance with all applicable laws and regulations.

## 7. Auction Results and Certification

Following the auction, Nova Scotia Environment and Climate Change and the Market Monitor will review the auction results. Nova Scotia Environment and Climate Change will review the conduct of the auction and determine whether the auction met the requirements of the *Cap-and-Trade Program Regulations*.

### 7.1. Public Notification of Auction Results

Auction results will be accessible to the public through an Auction Summary Results Report which will include the settlement price for the auction and will be posted on Nova Scotia Environment and Climate Change's website. This posting is anticipated to occur at approximately the date and time listed in the Auction Schedule provided in the Auction Notice.

In the event of a delay in posting the Auction Summary Results Report, Nova Scotia Environment and Climate Change will provide notification indicating a new time for the release.

The Auction Summary Results Report will include the following:

- The names of the qualified bidders;
- The auction settlement price; and
- Aggregated or distributional information on purchases with the names of the entities withheld.

### 7.2. Notification of Qualified Bidder Auction Results

Following the posting of the public auction results, Nova Scotia Environment and Climate Change will certify the auction in the Auction Platform. Once the auction is certified in the Auction Platform representatives of qualified bidders will be able to view and download their qualified bidder's auction results in the form of a Financial Statement and Client Bids Report from the Auction Platform. The Financial Statement serves as the financial settlement invoice for the auction and will include the number and total cost of allowances the qualified bidder has been awarded, if any.

The qualified bidder's Financial Statement will include the following:

- Auction Information
  - Settlement Price
  - Number of Successful Bids and Successful Bid Allowances
  - Total Bid Cost
- Account Information
  - Entity Information
  - Bid Guarantee Submitted by Type (cash, LOC or LOG)
  - Amount Due to Financial Services Administrator (if any)

- Amount Due By Date (if an amount is due)
- Wiring Instructions for Submitting Payment

### 7.3. Download all Reports

Immediately following notification of availability of the qualified bidder's results in the Auction Platform, the qualified bidder's account representatives should download and save all the Auction Platform reports. The available reports include:

1. Client Bids Audit Report: this report provides records on all bids submitted by the qualified bidder, including the audit trail of each bid related to bid creation, updates, and deletions.
2. Client Bid Report: This report provides records on all bids submitted by the qualified bidder in their final form, identifying each successful and unsuccessful bid and the number of allowances awarded, if any.
3. Financial Statement: This report provides all information required to invoice and complete financial settlement.

As these reports are confidential, they are not available to any parties other than the account representatives with an Active status in CITSS. Active PARs and AARs with Auction Platform accounts have access to reports for all events in which the entity was a qualified bidder, regardless of when the account representative was designated as such by the entity.

## 8. Complete Financial Settlement

### 8.1. Financial Settlement Requirements and Outline

Qualified bidders will complete the financial settlement process with the Financial Services Administrator for all allowances awarded in an auction once the auction is certified. The availability of the Financial Statement represents the beginning of the seven (7) day period in which a successful bidder is required to complete payment of the amount due for emission allowances awarded to the Financial Services Administrator. The deadline for receiving payment by wire transfer is listed in the Auction Schedule in each Auction Notice.

As part of the financial settlement process, the Financial Services Administrator will:

- For those qualified bidders that submitted cash bid guarantees, use the cash submitted to settle for any amounts owed;
- For qualified bidders that submitted physical bid guarantee instrument(s) (LOC or LOG), collect cash payment for any amounts owed from winning qualified bidders within seven (7) days of notification of the availability of the auction results;
- Draw on the physical bid guarantee instrument(s) for any qualified bidder that fails to submit payment for amounts owed within seven (7) days of availability of the auction results;
- Distribute auction proceeds from the sale of allowances to Nova Scotia Environment and Climate Change; and
- Distribute auction proceeds and provide a Consigned Allowances Statement to entities that consigned allowances for the auction.

Once all payments have been received, proceeds will be transferred to the Province of Nova Scotia and any consigning entities, and subsequently Nova Scotia Environment and Climate Change will transfer the number of emission allowances awarded into each successful qualified bidder's CITSS account.

## 8.2. Cash Settlement

All final financial settlements must be completed in cash by qualified bidders within seven (7) days of the availability of the auction results in the Auction Platform.

The wiring instructions for cash settlement will be included in the Financial Statement which is downloaded from the Auction Platform. If a bank (wire) transfer was submitted for the bid guarantee, the funds on account will be used to settle any amount owed, and any unused portion will be returned to the qualified applicant.

A wire transfer may require an international funds transfer. There may be fees associated with an international funds transfer. All the fees associated with a cash wire transfer must be paid in advance or they will be deducted from the amount submitted for financial settlement.

- The SWIFT instruction <<OUR>> indicates that the party making the transfer has paid the fees in advance.
- Communicate with your financial institution to verify how to proceed.

The Financial Services Administrator will not accept payment in the form of a certified bank check or cashier's check for allowances awarded in an auction. If a check is received for cash settlement, the check will be returned.

If a qualified bidder fails to make cash payment within seven (7) days after notification of the availability of the qualified bidder's auction results, physical bid guarantee instruments (LOC or LOG) held on account by the Financial Services Administrator will be used to obtain payment for allowances purchased in the auction.

## 8.3. Return of Bid Guarantee

The Financial Services Administrator will return any unused bid guarantees based on the return instructions provided in CITSS. Cash will be returned through wire transfer<sup>7</sup> and physical bid guarantee instruments in the form of a LOC or LOG will be returned directly to the entities through FedEx or DHL delivery by the Financial Services Administrator. The Financial Services Administrator will send an email to the qualified bidder account representatives in advance of sending back the unused bid guarantee so they can prepare for receipt of funds or physical bid guarantee instruments.

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<sup>7</sup> If a cash wire transfer is returned to the Financial Services Administrator by an entity's financial institution due to an error or incomplete wire transfer details provided by an entity, resulting in a fee charged to the Financial Services Administrator, the fee will be reflected in the total bid guarantee returned to an entity. A returned wire fee is not an auction fee, but is a common banking transaction fee not related to the Nova Scotia Cap-and-Trade Program, or the auction process.

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

For successful bidders that provided a cash bid 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 to the entity through Fedwire transfer based on the return instructions provided during the application process in the Auction Platform.

For successful bidders that provided bid guarantees in the form of a LOC or LOG, following receipt of all amounts owed, the Financial Services Administrator will return physical bid guarantee instruments directly to the entities through FedEx or DHL delivery, based on the return instructions provided during the application process in CITSS. The FSA will return electronic bid guarantee instruments by replying to the email to which the bid guarantee was attached.

## 9. Transfer of Allowances into CITSS Accounts

Allowances are transferred to successful bidders following completion of financial settlement and distribution of auction proceeds to Nova Scotia Environment and Climate Change and any consigning entities. The expected date for allowance transfers is provided in the Auction Schedule in the Auction Notice. Transfers of allowances into successful bidders' General Accounts in CITSS will be conducted by Nova Scotia Environment and Climate Change.

## 10. Public Notification of Auction Proceeds

Once proceeds are transferred to the Nova Scotia Environment and any consigning entities, Nova Scotia Environment and Climate Change will issue a Post Auction Public Proceeds Report, which will provide the final amount of proceeds. The anticipated date for release of the Post Auction Public Proceeds Report is listed in the Auction Schedule provided in the Auction Notice.

## 11. Considerations for Entities Consigning Allowances

Entities may consign allowances to Nova Scotia Environment and Climate Change for sale at an auction. Each consigning entity agrees to accept the auction settlement price for allowances sold at each auction. For each auction, allowances designated for consignment must have been transferred from the entity's Limited Use Holding Account to the Auction Holding Account in CITSS at least sixty three (63) days before the auction. Any allowances transferred to the Auction Holding Account less than sixty three (63) days before the scheduled auction will be consigned to the subsequent auction. Allowances transferred in CITSS cannot be indicated for consignment towards a future auction. If you need assistance in completing this transfer in CITSS, please refer to the Guidance for Allowance Consignment to Auction document, available on the Nova Scotia Environment and Climate Change website.

If an entity is only consigning allowances to the auction and does not wish to participate in the auction, the entity's representative needs to confirm its consignment wiring instructions. Additional information on the actions to be taken to confirm existing wiring instructions or provide new wiring instructions is provided in the Guidance for Allowance Consignment to Auction document, available on the Nova Scotia Environment and Climate Change website. This ensures that the Financial Services Administrator has current wire transfer instructions for the payment of consignment proceeds. An entity that consigns

allowances to an auction and also wishes to participate in the same auction must complete the process to apply for the auction by completing all required actions described in this document.

## 12. Disclaimer

The Detailed Auction Requirements and Instructions and the Auction Examples documents should both be read in conjunction with the *Environment Act* and the *Cap-and-Trade Program Regulations*. Where there is a discrepancy between what is contained in these documents and the *Environment Act* or the *Cap-and-Trade Program Regulations*, the Act or regulations will prevail.

If you have any questions about the application or interpretation of the *Environment Act* or the *Cap-and-Trade Program Regulations* you can contact Nova Scotia Environment and Climate Change at [capandtradehelp@novascotia.ca](mailto:capandtradehelp@novascotia.ca)