Report on the Net Flow of Compliance Instruments between Québec and California for the Period 2013-2020

This document presents the net flow of compliance instruments between Québec and California as calculated using the accounting mechanism jointly developed by the jurisdictions pursuant to Article 8 of the Agreement on the Harmonization and Integration of Cap-and-Trade Programs for Reducing Greenhouse Gas Emissions.

Net Flow of Compliance Instruments

For each jurisdiction, the inter-jurisdictional compliance instrument net trade flow is calculated as follows:

- The total number of domestic compliance instruments retired by another jurisdiction; minus
- The total number of compliance instruments issued by another jurisdiction that were retired domestically.

For a bilateral linkage, if jurisdiction A retires more compliance instruments issued by jurisdiction B than jurisdiction B retires from jurisdiction A, then jurisdiction A will have a negative net flow of compliance instruments. This, in turn, means that jurisdiction A has acquired instruments from jurisdiction B on a net basis, which means it is a net acquirer of compliance instruments – and vice versa.

The accounting mechanism attributes compliance instruments retired at the end of each compliance period to the annual emissions for which they were retired. This attribution of allowance retirements to a specific year enables the jurisdictions to calculate *annual* inter-jurisdictional net trade flows that are used to determine corresponding adjustments as discussed in Corresponding Adjustments Pursuant to Article 8 of the 2017 Linkage Agreement. See the Accounting Mechanism for Article 8 of the 2017 Linkage Agreement for further description of the method.

Tables 1-3 present annualized results of the official net flows of compliance instruments traded between California and Québec and retired in the WCI linked carbon market. The official net flows are calculated using confidential transfer data from the Compliance Instrument Tracking System Service (CITSS). The official net flows can be approximated using public data as demonstrated in the Article 8 Accounting Mechanism Example. The example with public data does not reflect administrative transfers, voluntary retirements, or return of allocation, which are confidential and represent a small portion of total market supply and retirements. The example also does not incorporate adjustments related to Ontario's temporary linkage. The example results are within one percent on average of the official net flows presented in Tables 1-3.

Table 1. Annualized Net Flow of Compliance Instruments (Allowances and Offset Credits)

Emission Year	California Annual Net Flow of Compliance Instruments	Québec Annual Net Flow of Compliance Instruments
2013	-1,087,285	1,087,285
2014	-2,046,274	2,046,274
2015	5,015,537	-5,015,537
2016	7,984,642	-7,984,642
2017	10,154,398	-10,154,398
2018	9,696,030	-9,696,030
2019	10,361,379	-10,361,379
2020	11,419,224	-11,419,224

Table 2. Annualized Net Flow of Allowances

Emission Year	California Annual Net Flow of Allowances	Québec Annual Net Flow of Allowances
2013	-1,237,577	1,237,577
2014	-2,194,794	2,194,794
2015	3,216,850	-3,216,850
2016	6,161,479	-6,161,479
2017	8,273,227	-8,273,227
2018	5,245,739	-5,245,739
2019	5,808,494	-5,808,494
2020	7,279,097	-7,279,097

Table 3. Annualized Net Flow of Offset Credits

Emission Year	California Annual Net Flow of Offset Credits	Québec Annual Net Flow of Offset Credits
2013	150,292	-150,292
2014	148,520	-148,520
2015	1,798,687	-1,798,687
2016	1,823,163	-1,823,163
2017	1,881,171	-1,881,171
2018	4,450,291	-4,450,291
2019	4,552,885	-4,552,885
2020	4,140,127	-4,140,127