

Updated September 14, 2018

## **Facts About Holding Limit for Linked Cap-and-Trade Programs**

*This fact sheet provides information on the holding limits for the Linked Cap-and-Trade Programs operated by California and Québec.*

### **Background**

The holding limit is the maximum number of allowances that an entity or a group of entities with a direct corporate association may hold at one time. The holding limit applies separately to holdings of “current vintage” and “future vintage” allowances. Current vintage allowances have a vintage year corresponding to the current or previous calendar years, or are allowances purchased from the Allowance Price Containment Reserve. Future vintage allowances have a vintage year later than the current calendar year. The current vintage holding limit applies to all current vintage allowances as one group. Thus, in 2018 the current vintage holding limit covers an entity’s holdings of 2013 through 2018 vintage allowances. However, the future vintage holding limit applies separately to each future vintage. For example, in 2018 there is a separate limit for holdings of 2019, 2020, and 2021 vintage allowances.

This fact sheet explains how the California Air Resources Board (CARB) calculated the holding limits for 2018 through 2030 based on the annual allowance budgets of the linked programs.

### **Holding Limit Calculation**

Section 95920(e) of the California Cap-and-Trade Regulation contains the holding limit formula:

$$\text{Holding Limit} = 0.1 * \text{Base} + 0.025 * (\text{Annual Allowance Budget} - \text{Base})$$

In which:

“Base” equals 25 million metric tons of CO<sub>2</sub>e, and

“Annual Allowance Budget” is the total number of allowances issued for the budget year in the linked programs.

The Québec regulations contain the same holding limit formula. Market participants from both jurisdictions must comply with the same holding limit based on the combined annual allowance budget of the two programs. Table 1 contains the annual budgets of the two programs, as well as the value of the combined budgets for the linked programs.

**Table 1: California, Québec and Combined Linked Program Annual Allowance Budgets**

<i>Year</i>	<i>California Budget</i>	<i>Québec Budget</i>	<i>Combined Linked Program Annual Budget</i>
(Million Allowances or Emissions Units)			
2018	358.30	58.96	417.26
2019	346.30	56.85	403.15
2020	334.20	54.74	388.94
2021	320.80	55.26	376.06
2022	307.50	54.02	361.52
2023	294.10	52.79	346.89
2024	280.70	51.55	332.25
2025	267.40	50.31	317.71
2026	254.00	49.08	303.08
2027	240.60	47.84	288.44
2028	227.30	46.61	273.91
2029	213.90	45.37	259.27
2030	200.50	44.14	244.64

Table 2 contains the holding limits that will apply to all registered entities in the linked programs. For example, in 2018, each registered entity or direct corporate association of multiple registered entities may hold up to approximately 12.30 million allowances of vintage 2018 and earlier. In 2019, the current vintage holding limit will apply to 2019 vintage allowances and earlier, so the new limit will be approximately 11.95 million allowances. .

**Table 2: 2018 through 2030 Holding Limit in the Linked Program**

<i>Year</i>	<i>Holding Limit</i>
(Million Allowances or Emissions Units)	
2018	12,306,500
2019	11,953,750
2020	11,598,500
2021	11,276,500
2022	10,913,000
2023	10,547,250
2024	10,181,250
2025	9,817,750
2026	9,452,000
2027	9,086,000
2028	8,722,750
2029	8,356,750
2030	7,991,000

Entities may purchase at auction allowances issued for future budget years. The holding limits in Table 2 apply separately to each future vintage. For example, in 2018 an entity may hold up to 11,953,750 vintage 2019 allowances.

### **Contact Information**

For further information about the holding limit calculations, please contact:

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