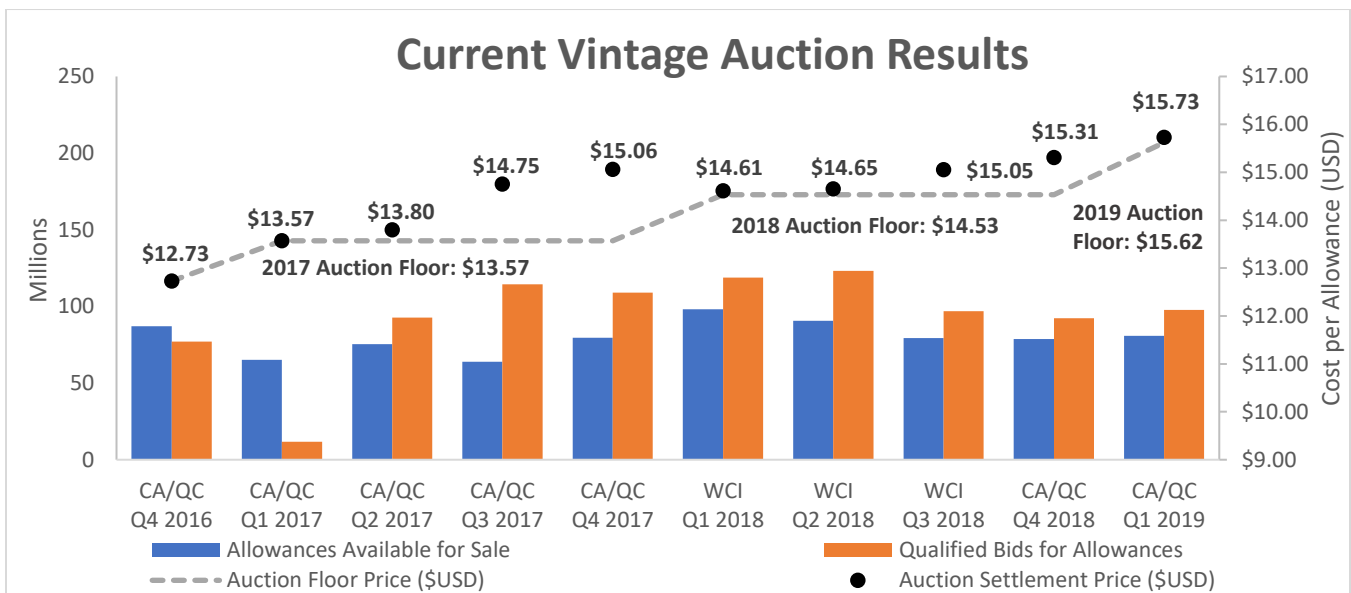


**Market Update: WCI Joint Auction #18 Results**

**February 27<sup>th</sup>, 2019**

On February 27<sup>th</sup>, 2019 the California Air Resources Board (“ARB”) and the Québec ministère du Développement durable, de l’Environnement et de la Lutte contre les changements climatiques (“MDEELCC”) announced the results of the 18<sup>th</sup> Joint Auction of greenhouse gas (“GHG”) allowances. The next auction will take place on Tuesday, May 14<sup>th</sup>, 2019.

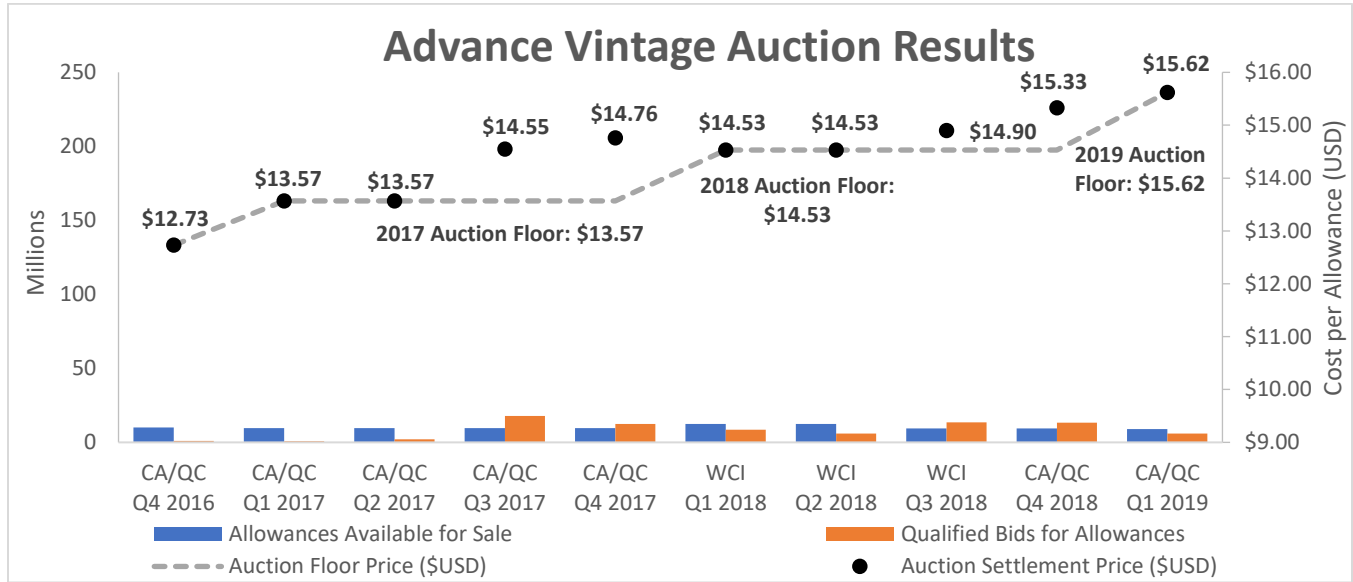
Current vintage auction allowances cleared at \$15.73 USD, just \$0.11 above the 2019 price floor of \$15.62, with a Bid-to-Cover ratio of 1.21. All current vintage offered allowances were sold. The low clearing price was largely expected; regulated parties have several years before they are required to surrender their full compliance obligations at the end of the triennial (2018-2020) compliance period. Moreover, an estimated surplus of 218.5 million allowances and offsets remain in circulation following the previous (2015-2017) compliance period. Despite some stakeholders calling for a review of the market supply, ARB officials have consistently rebuffed concerns, stating that the surplus will be eliminated in a tighter post-2020 market.



**Joint Auction #18 (February 2019): Current Vintage Auction Results**

Current Vintage Allowances Available for Sale:	80,847,404
Current Vintage Allowances Sold:	80,847,404
Qualified Bids to Allowances Available Ratio:	<b>1.21</b>
Auction Floor Price:	<b>\$15.62 USD (\$20.68 CAD)</b>
Auction Settlement Price:	<b>\$15.73 USD (\$20.82 CAD)</b>
Proportion of Allowances Purchased by Compliance Entities:	<b>93.0%</b>

The advance vintage auction (Vintage 2021) was undersubscribed, selling approximately 6 million of the 9 million allowances offered for sale, with the auction settlement price at the \$15.62 USD price floor. Again, these results are consistent with the downward pricing pressure associated with distant compliance deadlines and an expectation of a continued market surplus. The lower level of auction participation and pricing are consistent with historical advanced vintage auctions, with first- and second-quarter auctions settling at the price floor.



**Joint Auction #18 (February 2019): Advance Vintage Auction Results**

Advance Vintage Allowances Available for Sale: 9,038,000  
 Advance Vintage Allowances Sold: 5,983,000  
 Qualified Bids to Allowances Available Ratio: **0.66**  
 Auction Floor Price: **\$15.62 USD (\$20.68 CAD)**  
 Auction Settlement Price: **\$15.62 USD (\$20.68 CAD)**  
 Proportion of Allowances Purchased by Compliance Entities: **81.6%**