

2021 Annual Report

Activities and Accomplishments

MAY 13, 2022



Message from the Chair



Jason Hollett

Chair

WCI, Inc.

This past year was filled with major accomplishments for WCI, Inc. It began with the celebration of the organizations' 10-year anniversary and an opportunity to reflect on the success of our partnerships and contribution to fight against climate change as the largest cap-and-trade market in the Americas. This success was made possible because of the hard work and dedication of the teams at WCI, Inc. and the Participating Jurisdictions. We are all proud to be part of such an innovative and capable team.

2021 also marked the last year of the 2018-2021 Strategic Plan, and the adoption of a new Strategic Plan for 2022-2024. These plans guide our work by providing high level direction and objectives to the organization, developed with input from staff, jurisdictions and the Board of Directors. I encourage you to read it and learn about our focus for the coming years.

From the new Strategic Plan, the vision for the organization is that WCI, Inc. is the premier service provider for emissions trading systems in the Americas and facilitates jurisdictional collaboration to enable greater greenhouse gas reductions. This vision builds on our strengths and is meant to position the organization for growth when those opportunities arise.

In August we released the new WCI, Inc. Auction Platform. This launch and the operational support by WCI, Inc. represents a new approach to service delivery by the organization, one that is more flexible and responsive to the needs of the users and the jurisdictions.

We also welcomed Washington State as a Participating Jurisdiction in 2021. We are very pleased to be able to grow our partnership with Washington State and look forward to a great collaboration going forward. Welcome to the team!

And as always, the organization focused on the continued development of an agile and engaged workforce capable of supporting WCI, Inc. mission and the goals of this partnership. This continued to be challenged by the COVID-19 pandemic, but we are proud of our teams' ability to continually deliver in innovative and flexible ways.

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1. Introduction

Western Climate Initiative, Inc. (WCI, Inc.) is a non-profit corporation formed in 2011 to provide cost-effective technical and administrative solutions for supporting the coordinated development and implementation of each Participating Jurisdiction's greenhouse gas (GHG) emissions trading program.

At the end of 2021, the US states of [California and Washington](#), as well as the Canadian provinces of [Québec, Nova Scotia](#) and were participants in WCI, Inc., building on their common, continuous and collaborative efforts to tackle climate change and reduce GHG emissions from multiple sources in the most cost-effective way possible.

The support provided by WCI, Inc. can be expanded to support jurisdictions that join in the future. Each Participating Jurisdiction specifies its regulations and administrative requirements, and WCI, Inc. provides support that meets these specifications in alignment with the various needs of the Partnership.

Most of the support provided by WCI, Inc. is highly technical and has been developed using specialized contractors to develop and administer the:

- Centralized market registry for all Participating Jurisdictions used for the issuance of emission allowances, recording the ownership of emission allowances and account information, performing and recording emission allowance transfers, and facilitating the verification of compliance;
- GHG allowance auction and reserve sale platform, used by jurisdictions to auction emission allowances under their respective Cap-and-Trade programs and to conduct reserve sales;
- Financial administrative services for auctions and reserve sales, which includes evaluation of bid guarantees and financial settlement of accounts (transferring the payments from the auction and reserve sale purchasers to the sellers); and
- Independent market monitor analysis to support market oversight performed by each jurisdiction.

Our Participating Jurisdictions

WCI, Inc.'s Participating Jurisdiction programs represent the largest carbon market in North America and the broadest scope of sectorial emissions coverage in the world. At the end of 2021, the WCI, Inc. carbon market covered a population of nearly 57 million people and about 4.1 trillion USD / 5.5 trillion CAD in gross domestic product. The 2021 cap of 388 Mt of CO₂ equivalent GHG emissions represents roughly 80% of the economy-wide emissions of Participating Jurisdictions.

With just about 3,100 miles / 5,000 kilometers and a national boundary separating them, California and Québec operate the most geographically dispersed linkage between cap-and-trade programs. Their goals to reduce GHG emissions in a cost-effective manner has resulted in a stable yet flexible carbon market and an example of what the future of climate change collaboration can look like.

Nova Scotia joined WCI, Inc. in 2018, began operating its own provincial cap-and-trade program in 2019, and held its first auctions in 2020.

Washington State joined WCI, Inc. at the end of 2021 to support the implementation of its cap and invest program, which will begin in 2023.

2. Cap-and-Trade Services

During 2021, the collaborative and dedicated effort related to cap-and-trade services included the continuous improvement of the platforms and processes which support the execution of auctions and tracking of GHG emission allowances that conform to each jurisdiction's requirements.

The following provides a summary of the activities performed during 2021 for each WCI, Inc. service area, pursuant to its 9.9 million USD [2021 Annual Budget](#) and supported by [funding agreements](#) with each Participating Jurisdiction using WCI, Inc. services. To learn more about the 2021 Financials of WCI, Inc., refer to section 6 of the current document.

2.1. Market Registry

Since 2011, WCI, Inc. and the Participating Jurisdictions have worked with SRA International, Inc. (SRA), now known as General Dynamics Information Technology (GDIT), to develop and support the [centralized market registry](#).

During 2021, application and software updates were made to ensure system security, stability and automation; and to complete changes required due to regulatory updates.

On November 1, 2021, through a process supported by the market registry, all regulated emitters were able to surrender the necessary allowances to cover their greenhouse gas emissions for the third compliance period (2018-2020) in both [California](#) and [Québec](#).

The latest [amendment to the SRA Agreement](#) covers the period from January 30, 2020 to December 31, 2024.

What is the Market Registry?

The market registry is the official record used to issue, transfer, track, and retire compliance instruments in accordance with the regulatory requirements of the Participating Jurisdictions. As of December 2021, a total of approximately 960 entities were registered in in the market registry for [California](#), [Québec](#) and [Nova Scotia](#).

The market registry is designed to simplify the participation in the emissions trading program for market participants, jurisdiction personnel, and contractors. The registry is available in English and French, based on each jurisdiction's needs and provide the following functionalities:

- Account Registration and Management
- Compliance Instrument Registry
- Compliance Processes
- Auction and Reserve Sale Application

To learn more about each functionality, refer to the WCI, Inc. [Market Registry Page](#).

2.2. Auction and Reserve Sale Services

WCI, Inc. supports Participating Jurisdictions in executing coordinated auctions and reserve sales of GHG emission allowances that conform to each jurisdiction's requirements. Since 2011, WCI, Inc. and the Participating Jurisdictions have worked to develop and implement an auction and reserve sale platform.

The new [WCI, Inc. Auction Platform](#) was released in 2021 and is fully supported by WCI, Inc. personnel. The new WCI, Inc. auction and reserve sale platform has demonstrated its reliability and security.

During 2021, WCI, Inc. supported the execution of four California–Québec joint auctions and two Nova-Scotia stand-alone auctions. The six auctions held in 2021 resulted in the sale of 301 million allowances and proceeds of 6.8 billion USD / 8.4 billion CAD delivered to its Participating Jurisdictions and consigning entities in California and Nova Scotia¹.

Throughout 2021, the settlement price for 2021-vintage allowances sold during [California–Québec joint auctions](#) fluctuated from 17.80 to 28.26 USD (22.58 to 35.47 CAD) for a 2021 average price of 22.04 USD (27.53 CAD), not weighted by volume of allowances sold in each auction. An average total of 100 qualified bidders (75 California bidders and 25 Québec bidders) were approved to participate in the four California–Québec joint auctions held in 2021.

The 2021 [Nova Scotia stand-alone auctions](#) settlement prices for 2021-vintage allowances fluctuated from 16.60 to 30.11 USD (21.09 to 36.71 CAD) for a 2021 average settlement price of 23.35 USD (28.90 CAD), not weighted by volume of allowances sold in each auction. An average of 18 qualified bidders were approved to participate in the two Nova Scotia stand-alone auctions held in 2021.

The Auction and Reserve Sale Platform

This secure platform allows market participants who have completed the application process to post bids during the open bidding window for each auction and reserve sale, and to review results once each event is certified.

The platform algorithm automatically applies the currency exchange rate and different bidding limitations — i.e., auction minimum price, bid guarantee limits, purchase limits and holding limits — to accept, reject and sort bids submitted by qualified bidders, and then determine settlement price and allowance awards, before completing reporting for auction and reserve sale events. The platform also generates reports to support auction monitoring and implementation, and to inform auction participants.

Following completion of financial settlement and distribution of auction proceeds by the financial service administrator to the jurisdictions and consigning entities (in California and Nova Scotia), allowances are transferred to successful bidders in the market registry.

¹ Auction data are based on WCI, Inc. compilation from Auction Results published by [California](#), [Québec](#) and [Nova Scotia](#).

2.3. Financial Services

Since 2013, WCI, Inc. has contracted with Deutsche Bank North American Trust Company (DBNTC) to provide financial administrative services of auctions and reserve sales.

With the support of DBNTC, WCI, Inc. supported six auctions in 2021.

On October 26, 2021, as a result of the [Financial Services Request for Proposal 2020-02](#), the WCI, Inc. Board of Directors approved the [DBNTC Financial Services Agreement](#). The term of the agreement is from November 1, 2021 through January 31, 2026.

The Financial Services Administrator

Before each auction, the financial services administrator establishes and verifies bank accounts for all auction applicants. It also receives, reviews, and manages all financial bid guarantees on behalf of each auction participant.

Upon certification of the auction by the jurisdiction(s), the financial services administrator processes payments from successful bidders and returns bid guarantees to unsuccessful bidders. If necessary, the financial services administrator facilitates a currency exchange to ensure that each jurisdiction receives proceeds in its own currency and that Canadian entities pay in the currency they selected during bid guarantee submission.

Finally, the financial services administrator sends the auction proceeds to the jurisdictions and consigning entities.

2.4. Market Monitoring

WCI, Inc. supports its Participating Jurisdictions by contracting for analyses that support independent market monitoring. WCI, Inc. has contracted with Monitoring Analytics to provide these services since 2012.

During 2021, Monitoring Analytics supported the multi-jurisdictional monitoring for the California and Québec linked cap-and-trade programs. In addition, Monitoring Analytics supported monitoring for Nova Scotia's standalone cap-and-trade program, which currently does not allow trading of greenhouse gas emission allowances with other jurisdictions.

On October 26, 2021, as a result of the [Emissions Trading Market Monitoring Services Request for Proposal 2021-02](#), the WCI, Inc. Board of Directors approved the [Monitoring Analytics Services Agreement](#). The term of the agreement is from November 1, 2021 through January 31, 2026, with one two-year option period possibly extending contract term to January 31, 2028.

What is Market Monitoring?

Independent market monitoring analyses include:

- The review and evaluation of auctions and reserve sales to identify any inappropriate market activity or deviations from jurisdiction regulatory requirements.
- The continuous monitoring of market participant corporate structures, allowance and offset holdings, and transfer activity in CITSS.
- The review of secondary and derivative market activity to identify any potentially inappropriate market activity.

Market monitoring analyses are provided directly to the Participating Jurisdictions. Each Participating Jurisdiction is responsible for conducting market oversight and retains the authority to enforce the regulation that governs their program.

Any deviation from jurisdiction regulatory requirements or inappropriate market activity may be subject to investigation and prosecution under the laws and regulations of each Participating Jurisdiction's program.

3. Personnel and Direct Operations

WCI, Inc. [personnel](#) carry out the responsibilities for WCI, Inc. as directed by the [Board](#) and are responsible for day-to-day operation of the corporation and for oversight and management of the contractors hired to provide cap-and-trade services as described previously.

3.1. Personnel

During 2021, WCI, Inc. developed and maintained an agile team capable of supporting WCI, Inc.'s mission. At the end of 2021, the WCI, Inc. [team](#) included a total of fifteen employees, including fourteen employees located in the United States and one employee located in Canada:

- an Executive Director;
- an Assistant Executive Director;
- a Chief Technology Officer;
- a Chief Product Officer;
- a Solutions Architect;
- two Information Technology (IT) Project Managers;
- three IT Business Analysts;
- a DevOps Engineer;
- a Software Engineer;
- a User Experience Specialist
- an Accounting and administrative Specialist; and,
- an Information Technology Administrator.

3.2. Administrative and Professional Services

In addition, WCI, Inc. has retained administrative and professional services necessary to carry out its operations in the U.S. and Canada, including:

- legal counsel;
- accountants to administer the accounting systems, advise on accounting procedures, and to report on the financial activities of the corporation;
- an auditor to provide audit and tax services;
- payroll services that also support all payroll tax filings and the management of several human resources activities, including employee benefits;
- accounting and compensation advisors to support the implementation of industry best practices;
- IT technical support, communication, interpretation and translation services.

3.3. Strategic Planning

During 2021, extensive effort from WCI, Inc. and the Participating Jurisdictions has been devoted to operationalizing the mission, vision and values endorsed by the WCI, Inc. Board in 2016 and to implement the WCI, Inc. 2018-2021 Strategic Plan, adopted in October 2018.

Throughout 2021, WCI, Inc. and Participating Jurisdictions have prioritized critical activities and adjusted the timeline necessary to implement the Plan. The following summarizes the main activities and accomplishments of WCI, Inc. during 2021 that support four major goals of the 2018-2021 Strategic Plan:

1 Strengthen the Partnership through enhanced collaboration, communication and decision-making

- Uninterrupted business operations throughout the pandemic and associated remote work requirements in the U.S. and Canada.
- The development, use, and maintenance of collaborative spaces and secured information tools accessible for both WCI, Inc. and Participating Jurisdiction personnel.
- The continuous use of video and web conferencing to facilitate effective meetings with jurisdictions and contractors.

2 Consistently meet or exceed expectations by delivering high-quality, efficient and responsive services

- The completion and release of the new [WCI, Inc. Auction Platform](#) and operational support by the WCI, Inc. personnel before, during and after the auction events since August 2021.
- The continued implementation of a new project governance structure and enterprise architecture tools to better align business and information technology strategies.
- The continued implementation of effective risk management processes for project management and the maintenance of contingency plans for cap-and-trade services.
- The continued implementation of best practices to enhance the efficiency of user acceptance testing to better support the quality of services provided to jurisdictions.
- The implementation of new processes and procedures to enhance procurement of services.
- Further analysis and planning to ensure that systems required to support the evolving needs of current and future jurisdictions emission trading programs are secure, reliable and scalable.
- The welcoming of Washington State as a Participating Jurisdiction.

3 Build and effectively manage a highly skilled and engaged workforce

- The continuous improvement and automation of the personnel onboarding and offboarding process and materials to ensure smooth and effective processes.
- The continued implementation of informal peer to peer recognition practices and workplace culture improvements to build morale and a positive work environment.
- The provision of professional development stipends to employees, as well as ongoing cross-training and mentorship of personnel to promote learning and professional development, as well as ensuring continuity of WCI, Inc.'s business operations.
- The implementation of a new annual performance review process for personnel, where supervisor assessments are supported by formal self-assessments and peer reviews.
- The development of new job descriptions to support hires on specialized job boards, as well as the maintenance of job descriptions for current personnel, which are updated as needed, to ensure their alignment with current job requirements.
- The implementation of the recommendations of the periodic independent Compensation Survey, as approved by WCI, Inc. Board in November 2019, in compliance with the [Compensation Committee Charter](#) and the [Compensation Philosophy](#).

4 Establish WCI, Inc. as a recognized leader and reference within the carbon market space

- The regular updates of relevant content on the [WCI, Inc. website](#) to communicate effectively with our broad audience, to ensure transparent [activities](#), and to showcase our [purpose](#), [services](#), [team](#), [career opportunities](#), the [actions](#) of our [Board of Directors](#), as well as the [results and impacts](#) of the evolving WCI carbon market [partnership](#).
- The presentation of WCI, Inc. services model to new jurisdictions that are contemplating the implementation of their own emissions trading program.
- The implementation of performance-oriented metrics and dashboards for project management governance.

Furthermore, on October 26, 2021, the Board approved [WCI, Inc. Strategic Plan 2022-2024](#), which outlines four major themes that are reflected throughout our activities:

- **SUPPORT** references our mandate to ensure our services meet the needs of our jurisdictions implementing greenhouse gas emissions reduction programs.
- **EXPAND** references WCI, Inc.'s push to grow the WCI Carbon Market to further enable a robust market and support emerging programs.
- **INVEST** references our dedication to enhance the capabilities of our team.
- **COMMUNICATE** references our commitment to increase the visibility of WCI, Inc. and the WCI Carbon Market.

4. Governance

WCI, Inc. is governed by a [Board of Directors](#) according to its [By-Laws](#) and the [Policies](#) adopted by the WCI, Inc. Board of Directors.

4.1. Board Members

In 2021 the acting Board of Directors were:

- Jason Hollett (Chair)
Associate Deputy Minister, Nova Scotia Department of Environment and Climate Change
- Jared Blumenfeld (Vice Chair until October 26, 2021 and Director from then)
Secretary for Environmental Protection, California Environmental Protection Agency
- Liane Randolph (appointed Director on April 30, 2021 and Vice Chair from October 26, 2021)
Chair, California Air Resources Board
- Jean-Yves Benoit (Treasurer)
Director General, Carbon Regulation and Emissions Data, [Quebec] Ministère de l'Environnement et de la Lutte contre les changements climatiques
- Lilani Kumaranayake (Secretary)
Executive Director, Fiscal Policy, Economics and Budgetary Planning with the Nova Scotia Department of Finance and Treasury Board
- Kim Ricard (Director)
Director of Carbon Market Division, [Quebec] Ministère de l'Environnement et de la Lutte contre les changements climatiques

During that period, non-voting Board Members were:

- Richard Bloom, Assembly Member appointed by the Speaker of the California Assembly until September 27, 2021
- Al Muratsuchi, Assembly Member appointed by the Speaker of the California Assembly from September 27, 2021
- Kip Lipper, appointed by the California Senate Rules Committee

4.2. Board Meeting Actions

The following provides an overview of actions taken by the Board during the three meetings held in 2021:

- [May 12, 2021](#)
 - Open session
 - Approval of the [December 17, 2020 Board Meeting Minutes](#)
 - Acceptance of the [2020 Audited Financial Statement](#)
 - Approval of the [2020 U.S. Federal and State tax forms](#) and the [2020 Canadian Sales Tax forms](#)
 - Approval of the [2020 Annual Report](#)
 - Executive (closed) session
 - Approval of the December 17, 2020 Executive Session Meeting Minutes
 - Discussion regarding procurement, personnel, and legal matters
- [October 26, 2021 Annual Board Meeting](#)
 - Open session
 - Approval of the [May 12, 2021 Board Meeting Minutes](#)
 - Review of corporate policies ([Ethical Guidelines and Conflict of Interest Policy](#))
 - Approval of a proposed [Amendment of the WCI, Inc. By-laws](#)
 - Election of officers and appointment of standing committee members
 - Reception of the [2021 Treasurer's Report](#) of compliance with the Funds Management Policy and approval of the [2022 Budget](#)
 - Executive (closed) session
 - Approval of the May 12, 2021, Executive Session Meeting Minutes
 - Approval of the [2022-2024 Strategic Plan](#)
 - Approval of the [Monitoring Analytics Services Agreement](#)
 - Approval of the [DBNTC Financial Services Agreement](#)
 - Discussions of personnel matters
- [December 17, 2021](#)
 - Open session
 - Approval of the [October 26, 2021 Board Meeting Minutes](#)
 - Approval of the [California Funding Agreement 2022-2024](#)
 - Approval of the [Washington State Funding Agreement 2022-2023](#) and the [Amendment of the WCI, Inc. By-laws](#)
 - Executive (closed) session
 - Approval of the October 26, 2021, Executive Session Meeting Minutes
 - Discussion regarding procurement matters

5. WCI, Inc. key numbers in 2021

1

WCI, Inc.'s Participating Jurisdiction programs represent the largest carbon market in North America

4

Participating Jurisdictions using WCI, Inc. services

6

Auctions supported of which 4 California-Québec Joint Auctions and 2 Nova-Scotia Stand-Alone Auctions

15

Employees as of December 31, 2021

>20

Actions taken by the WCI, Inc. Board

>70

Contractors retained for technical and administrative services necessary to carry out WCI, Inc.'s mission

100

Qualified bidders in average for each Quarterly Joint Auction (of which an average of 75 in California and 25 in Québec)*

>960

Entities registered in the Market Registry as of December 2021

301 M

Allowances sold by Participating Jurisdictions and consigning entities through the Auction Platform

\$9.9 M

2021 Annual Budget supported by funding agreements with each Participating Jurisdiction using WCI, Inc. services

388 Mt

CO₂ eq. of GHG emissions cap covered in 2021 by Participating Jurisdictions

\$6.8 B

USD / 8.4 billion CAD Auction Proceeds delivered in 2021 to Participating Jurisdictions' GHG Reduction Funds and Consigning Entities

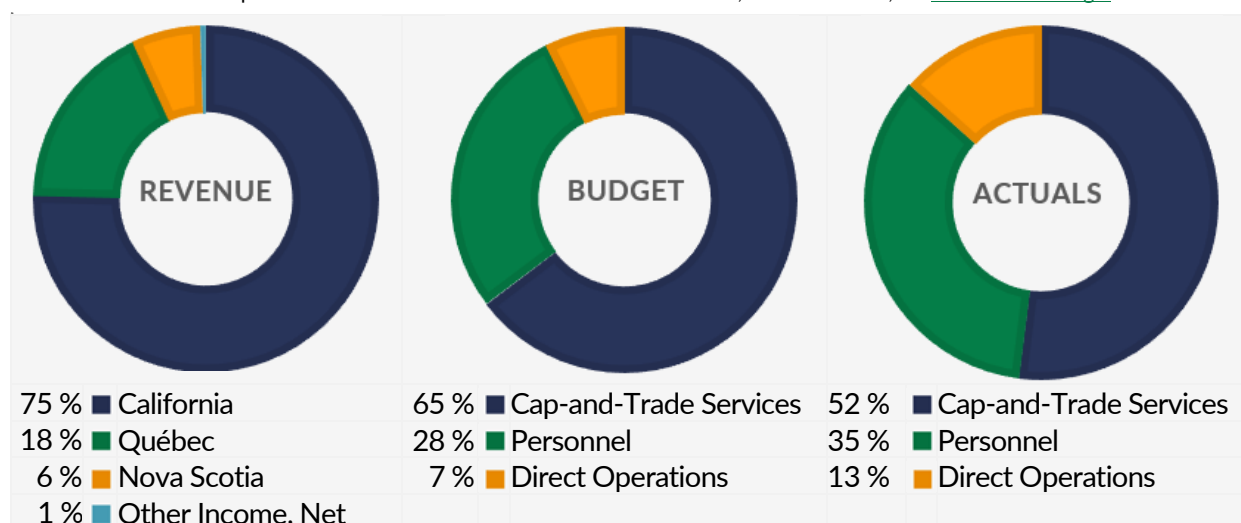
Note: *On average, Nova Scotia had 18 qualified bidders for its two stand-alone auctions.

6. Fiscal Year 2021

January 1, 2021 – December 31, 2021²

Statement of Activities ¹		Statement of Financial Position	
Total Revenues	\$9,901,205	Total Assets	\$14,036,664
California Funding	\$7,463,467	Cash & Cash Equivalents	\$7,284,837
Québec Funding	\$1,750,902	Investments	\$3,250,000
Nova Scotia Funding	\$636,030	Receivables	\$1,399,236
Other Income, Net ²	\$50,806	Property and Equipment, Net	\$1,965,700
		Prepaid Expenses & Other Assets	\$136,891
Total Expenses	\$4,172,362	Total Liabilities	\$1,221,645
Cap-and-Trade Services	\$2,169,378	Accounts Payable & Accrued Expenses	\$321,242
Personnel	\$1,443,854	Accrued Payroll	\$264,883
Direct Operations	\$559,129	Deferred Revenue	\$635,520
Net Assets, End of Year	\$12,815,019	Net Assets – Without Donor Restrictions	\$12,815,019
Net Assets, Beginning of Year ³	\$7,090,843		
Change in Net Assets	5,724,176	Total Liabilities & Net Assets	\$14,036,664

1. Audited financial statements are available at <https://wci-inc.org/documents/audit>.
2. Includes investment interest (\$4,445), foreign exchange gain (\$42,707) and other refunds (\$3,654).
3. Net assets at the beginning of the year included carry-over funds from previous years. Prudent management of funds and cash flow requires that WCI, Inc. maintain funds such that an unexpected expenditure or an unexpected delay in receipt of funds through the funding agreements would not impede its ability to provide services to the jurisdictions. Since mid-2013, that cash flow reserve has been approximately six months of anticipated expenditures. The development of jurisdiction funding agreements has incorporated and will in the future incorporate the existence of a cash flow reserve. To learn more, refer to the WCI, Inc. [2021 Annual Budget](#).



² Besides the linked audited financial statements above, CliftonLarsonAllen LLP has no responsibility for other information provided inside of this annual report.