



2022 Annual Report

Activities and Accomplishments

MAY 12, 2023



Message from the Chair



Jason Hollett

Chair

WCI, Inc.

It was another busy year for the WCI, Inc. team and our Participating Jurisdictions, marked by the start of the new 2022-2024 Strategic Plan. This plan guides the work of the organization as it continues to transform and grow for new opportunities while prioritizing core service delivery for our partners' carbon pricing programs.

The onboarding of Washington State also continued in 2022, with WCI, Inc. providing technical and administrative services to their cap-and-invest program which will commence in 2023. It has been great working with our colleagues from Washington State, and we truly appreciate their addition to the team.

A new partnership with the Carbon Pricing in the Americas was also kicked off in 2022. This initiative supports a collaborative effort to develop and implement carbon pricing mechanisms as a key instrument to accelerate the transition to a clean and carbon-neutral economy for signatory jurisdictions across the Americas. WCI, Inc. offers a unique perspective for this work as the administrator of the largest carbon market in the Americas.

The WCI, Inc. team continued the necessary work to ensure that we maintain our position as the premier service provider for jurisdictions engaged in emissions trading programs. This includes planning and development work to ensure that systems and services required to support the evolving needs of current and future partner emission trading programs are secure, reliable, and scalable to their needs. This work is the foundational value that we provide to Participating Jurisdictions and excelling at this remains our top priority.

And it is always important to highlight that the success of the organization is built on strong leadership and a dedicated staff. We are proud of our people and their work, and will continue to invest in their development which will enhance WCI, Inc.'s capabilities and value to participating jurisdictions.

Table of Contents

1.	Introduction	3
2.	Emissions Trading Services.....	4
2.1.	Market Registry	4
2.2.	Auction and Reserve Sale Services	5
2.3.	Financial Services	6
2.4.	Market Monitoring.....	7
3.	Personnel and Direct Operations.....	8
3.1.	Personnel.....	8
3.2.	Administrative and Professional Services	8
3.3.	Strategic Planning	9
4.	Governance.....	11
4.1.	Board Members	11
4.2.	Board Meeting Actions	12
5.	WCI, Inc. key numbers in 2022	14
6.	Fiscal Year 2022.....	15

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 2022, 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 emissions trading 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 2022, the WCI, Inc. carbon market covered a population of nearly 57 million people and about 4 trillion USD / 5 trillion CAD in gross domestic product. The 2022 cap of 374 Mt of CO₂ equivalent GHG emissions represents roughly 75% 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 begins in 2023.

2. Emissions Trading Services

During 2022, the collaborative and dedicated effort related to emissions trading 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 2022 for each WCI, Inc. service area, pursuant to its 10.8 million USD [2022 Annual Budget](#) and supported by [funding agreements](#) with each Participating Jurisdiction using WCI, Inc. services. To learn more about the 2022 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 2022, 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, 2022, 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 2021 Annual compliance period in California.

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 2022, over a 1,000 entities were registered in the market registry for [California](#), [Québec](#), [Nova Scotia](#) and [Washington](#).

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 2022, WCI, Inc. supported the execution of four California–Québec joint auctions and two Nova-Scotia stand-alone auctions. The six auctions held in 2022 resulted in the sale of 264 million allowances and proceeds of 7.5 billion USD / 9.6 billion CAD delivered to its Participating Jurisdictions and consigning entities ¹.

Throughout 2022, the settlement price for 2022-vintage allowances sold during [California–Québec joint auctions](#) fluctuated from 26.80 to 30.85 USD (34.74 to 39.59 CAD) for a 2022 average price of 28.45 USD (36.77 CAD), not weighted by volume of allowances sold in each auction. An average total of 120 qualified bidders (89 California bidders and 31 Québec bidders) were approved to participate in the four California–Québec joint auctions held in 2022.

The 2022 [Nova Scotia stand-alone auctions](#) settlement prices for 2022-vintage allowances fluctuated from 21.09 to 31.90 USD (28.25 to 40.00 CAD) for a 2022 average settlement price of 26.49 USD (34.13 CAD), not weighted by volume of allowances sold in each auction. An average of 14 qualified bidders were approved to participate in the two Nova Scotia stand-alone auctions held in 2022.

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, Washington 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 2022.

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 2022, 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, and onboarding of Washington's standalone cap-and-invest program, which currently do 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 the 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 emissions trading services as described previously.

3.1. Personnel

During 2022, WCI, Inc. developed and maintained an agile team capable of supporting WCI, Inc.'s mission. At the end of 2022, the WCI, Inc. [team](#) included a total of fourteen employees, including thirteen 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;
- an Information Technology (IT) Project Manager;
- 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;
- technical advisors on 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 2022, 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. Strategic Plan 2022-2024](#), adopted on October 26, 2021. The following summarizes the main critical activities prioritized and accomplishments of WCI, Inc. during 2022 that support four major themes and strategic goals of the 2022-2024 Strategic Plan:

1 SUPPORT references our mandate to ensure our services meet the needs of our jurisdictions implementing greenhouse gas emissions reduction programs.

Strategic Goal: Ensure services provided by WCI, Inc. are reliable, secure, and able to scale to meet the needs of our partners.

- Uninterrupted business operations throughout the pandemic and implementation of associated remote work and COVID-19 prevention guidelines requirements in the U.S. and Canada.
- Operational support of 6 auctions through the [WCI, Inc. Auction Platform](#) provided by the WCI, Inc. personnel before, during and after each event.
- Further requirements analysis, planning and development work to ensure that systems and services required are secure, reliable, and scalable to support the evolving needs of current and future jurisdictions' emission trading programs.
- The continued implementation of a refined 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 emissions trading 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 continued implementation of refined processes and procedures to enhance procurement of services and vendor management to strengthen service delivery.
- The development, use, and maintenance of effective and secured collaborative spaces, information sharing and conferencing tools for WCI, Inc., Participating Jurisdictions and vendors personnel.

2 EXPAND references WCI, Inc.'s push to grow the WCI Carbon Market to further enable a robust market and support emerging programs.

Strategic Goal: Expand support for regulated carbon markets in the Americas through the addition of new partners and services.

- The timely onboarding of Washington State to WCI, Inc. emissions trading and administrative services to support their program implementation in 2023.
- A new partnership with the Carbon Pricing in the Americas initiative to support this collaborative effort in developing and implementing carbon pricing mechanisms as key instruments to accelerate the transition to a clean and carbon neutral economy.

3 INVEST references our dedication to enhance the capabilities of our team.

Strategic Goal: Invest in the development of our team to enhance WCI, Inc. capabilities.

- The continued development and management of an agile team capable of supporting the achievement of WCI, Inc.'s mission, vision, and strategic goals.
- The implementation of a hybrid workplace environment – combining remote work and work from the office with the 9/80 work schedule – to promote employee satisfaction and well-being, and to increase productivity and employee retention.
- 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 refined annual performance review process for personnel, where supervisor assessments are supported by formal self-assessments and peer reviews.
- The implementation of the recommendations of the periodic independent Compensation Survey, aiming to maintain WCI, Inc.'s competitiveness in the industry to attract and retain high-quality personnel.
- The maintenance of job descriptions, which are updated as needed, to support hires on specialized job boards and to ensure alignment with current job requirements for current personnel.
- The annual review of WCI, Inc.'s Employee Handbooks, including upgrades to schedule flexibility, sick leave policy, and holiday options, etc. to reinforce our commitment to building up a diverse, equitable, and inclusive workplace.

4 COMMUNICATE references our commitment to increase the visibility of WCI, Inc. and the WCI Carbon Market.

Strategic Goal: Disseminate pertinent information to keep our stakeholders informed.

- 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.

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 2022 the acting Board of Directors were:

- Jason Hollett (Chair)
Associate Deputy Minister, Nova Scotia Department of Environment and Climate Change
- Liane Randolph (Vice Chair)
Chair, California Air Resources Board
- Jean-Yves Benoit (Treasurer)
Director General, Carbon Regulation and Emissions Data, [Quebec] Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs
- Lilani Kumaranayake (Secretary)
Executive Director, Fiscal Policy, Economics and Budgetary Planning with the Nova Scotia Department of Finance and Treasury Board
- Jared Blumenfeld (Director until August-31, 2022)
Secretary for Environmental Protection, California Environmental Protection Agency
- Yana Garcia (appointed Director on October 25, 2022)
Secretary for Environmental Protection, California Environmental Protection Agency
- Kim Ricard (Director)
Director of Carbon Market Division, [Quebec] Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs
- Laura Watson (Director)
Director of Washington State Department of Ecology
- Luke Martland (Director)
Climate Commitment Act Implementation Manager, Washington State Department of Ecology

During that period, non-voting Board Members were:

- Al Muratsuchi, Assembly Member appointed by the Speaker of the California Assembly
- 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 five meetings held in 2022:

- [March 14, 2022](#)
 - Open session
 - Approval of the [December 17, 2021 Board Meeting Minutes](#)
 - Appointment of Washington Directors to Standing Committees
 - [Executive \(closed\) session](#)
 - Approval of the December 17, 2021 Executive Session Meeting Minutes
 - Approval of the [Nova Scotia Funding Agreement 2022-2023](#)
 - Approval of the [Québec Funding Agreement 2022-2023](#)
 - Discussions of jurisdiction and personnel matters
- [May 13, 2022](#)
 - Open session
 - Approval of the [March 14, 2022 Board Meeting Minutes](#)
 - Acceptance of the [2021 Audited Financial Statement](#)
 - Approval of the [2021 U.S. Federal and State tax forms](#) and the [2021 Canadian Federal and Provincial Tax forms](#)
 - Approval of the [2021 Annual Report](#)
 - Executive (closed) session
 - Approval of the March 14, 2022 Executive Session Meeting Minutes
 - Approval of the Resolution to support the Carbon Pricing in the Americas initiative.
- [October 31, 2022 Annual Board Meeting](#)
 - Open session
 - Approval of the [May 13, 2022 Board Meeting Minutes](#)
 - Review of corporate policies:
 - Approval of the Amendment to the [Ethical Guidelines and Conflict of Interest Policy](#)
 - Approval of the [Amendment to the Accounting Policies and Procedures](#)
 - Election of officers and appointment of standing committee members
 - Reception of the [2022 Treasurer's Report](#) of compliance with the Funds Management Policy
 - Approval of the [2023 Budget](#)
 - Executive (closed) session
 - Approval of the May 13, 2022, Executive Session Meeting Minutes
 - Approval of the of the Resolution to support the Carbon Pricing in the Americas initiative.
 - Discussions of jurisdiction and personnel matters

- November 10, 2022
 - Executive (closed) session
 - Discussions of personnel matters
- December 14, 2022
 - Open session
 - Approval of the [October 31, 2022 Board Meeting Minutes](#)
 - Executive (closed) session
 - Approval of the October 31, 2022 and November 10, 2022, Executive Session Meeting Minutes
 - Approval of the [DBNTC Financial Services Administrator Agreement Amendment](#) to add Washington State to the list of Participating Jurisdictions.
 - Approval of the [Harbinger Software Development Agreement Amendment](#) to extend the scope and term of the Contract.

5. WCI, Inc. key numbers in 2022

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

14

Employees as of December 31, 2022

>25

Actions taken by the WCI, Inc. Board

>70

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

120

Qualified bidders in average for each Quarterly Joint Auction (of which an average of 89 in California and 31 in Québec)*

>1,000

Entities registered in the Market Registry as of December 2022

264 M

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

\$10.8 M

2022 Annual Budget supported by funding agreements with each Participating Jurisdiction using WCI, Inc. services

374 Mt

CO₂ eq. of GHG emissions cap covered in 2022 by Participating Jurisdictions

\$7.5 B

USD / 9.6 billion CAD Auction Proceeds delivered in 2022 to Participating Jurisdictions' GHG Reduction Funds and Consigning Entities

Note: *On average, Nova Scotia had 14 qualified bidders for its two stand-alone auctions.

6. Fiscal Year 2022

January 1, 2022 – December 31, 2022

Statement of Activities ¹		Statement of Financial Position	
Total Revenues	\$9,913,176	Total Assets	\$19,669,865
California Funding	\$7,021,579	Cash & Cash Equivalents	\$8,851,430
Québec Funding	\$1,128,424	Investments	\$6,500,000
Nova Scotia Funding	\$251,364	Receivables	\$1,313,123
Washington Funding	\$1,475,077	Property and Equipment, Net	\$2,622,203
Other Income, Net ²	\$36,728	Prepaid Expenses & Other Assets	\$300,826
Total Expenses	\$4,462,618	Right of Use Asset	\$82,283
Emissions Trading Services	\$2,117,658	Total Liabilities	\$1,404,292
Personnel	\$1,567,049	Accounts Payable & Accrued Expenses	\$416,396
Direct Operations	\$777,911	Accrued Payroll	\$271,593
		Lease Liability Operating	\$84,950
Net Assets, End of Year	\$18,265,573	Deferred Revenue	\$631,353
Net Assets, Beginning of Year ³	\$12,815,019	Net Assets – Without Donor Restrictions	\$18,265,573
Change in Net Assets	\$5,450,554		
		Total Liabilities & Net Assets	\$19,669,865

1. Audited financial statements are available at <https://wci-inc.org/documents/audit>.
2. Includes investment interest (\$72,131), foreign exchange loss (\$37,888) and other income (\$2,485).
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. [2022 Annual Budget](#).

