

Energy Bar Association

California's Greenhouse Gas Cap-and-Trade Program Begins

Webinar sponsored by Energy Bar Association's Western Chapter
& Environmental Regulation Committee

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Global Warming Solutions Act of 2006: California's AB 32

CA Health and Safety Code, section 38500 et. seq.

- AB 32 sets greenhouse gas emissions limit for 2020 at 1990 level; sets path for 80% reduction by 2050.
- AB 32 established the first economy-wide climate change regulatory program in the United States.
- The AB 32 Scoping Plan outlines a combination of regulations, other programs, and fees, including cap-and-trade.
- Cap-and-trade regulation was adopted by Board in 2011 and amended in 2012.

Cap-and-Trade Basics

- Annual reporting of emissions and product data (3d party verified) provides basis for compliance obligation and for allowance allocation.
- One allowance is surrendered for each ton of greenhouse gas emitted.
- Government issues fewer allowances each year—the declining cap.
- Allowance price sets the price of carbon.
- Allowances can be traded.
- Program design ensures environmental integrity, sets trading rules, controls costs, distributes or sells allowances, etc.
- In 2013, industrial sources & electricity. In 2015, transportation fuel providers & natural gas are added.

Coordination by California's Regulators

- Leaders and staff of the California Air Resources Board (CARB), California Public Utilities Commission, California Independent Systems Operator (CalISO), and California Energy Commission routinely work together.
- The goal is coordinated and consistent action by these regulators to implement the cap-and-trade program.
- Going forward, CARB and CalISO will monitor the electricity market for any adverse impacts and take appropriate actions, as warranted.

Electricity in Cap-and-Trade

- AB 32 covers emissions from both in-state generation and imported electricity consumed in California.
- Regulation defines “First Deliverer of Electricity” as the operator of an electricity generating facility in California or an electricity importer.
- Free allowances are distributed to electrical distribution utilities for the benefit of ratepayers.
 - Annual allocations through 2020 for each electrical distribution utility can be found in table 9-3 of the regulation. (Cal.Code Regs, tit. 17, § 95892.)
 - Allowances allocated to electrical distribution utilities must be used exclusively for the benefit of the retail ratepayers of each electrical distribution utility, consistent with the goals of AB 32.

November 2012 Auction Preparation

- Auction public notice released on September 14
 - At least 21.80 million vintage 2013 allowances to be auctioned
 - Approximately 39.45 million vintage 2015 allowances to be auctioned
- Auction participants must apply no later than October 15.
- Participant training webinars were held.
- Auction to be conducted on November 14.
- Results posted once auction is certified by ARB – anticipated November 19.
- Auction proceeds: the Governor and his administration will develop a strategic investment plan to be considered by the Legislature.

Clarifying Resource Shuffling

- Provisions to address electricity sector leakage must not negatively impact energy market supply and reliability.
- ARB will suspend enforcement of the resource shuffling attestation during the first 18 months of the program.
- Emissions Market Assessment Committee discussed potential options at September 24, 2012 public meeting.
- Staff will return to Board with recommendations at October 18, 2012 Board meeting.

Poised for Market Surveillance & Enforcement

- Reported emissions (first checked by 3rd party verifiers) then will be audited by ARB.
- Market surveillance by ARB and its contractors will start immediately.
- Working with federal agencies.

For Additional Information

- CARB Climate Change Program
<http://www.arb.ca.gov/cc/cc.htm> (sign up for list serve for regular updates)
- CARB Cap-and-Trade Program
<http://www.arb.ca.gov/cc/capandtrade/capandtrade.htm>
- CARB Cap-and-Trade Regulation
http://www.arb.ca.gov/cc/capandtrade/september_2012_regulation.pdf
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