



Cap-and-Trade Program Update

Jason Gray, jagray@arb.ca.gov

February 27, 2018 (February 28, 2018)



Cap-and-Trade Program Goals

- Ensure GHG targets are realized through a strict limit
- Provide compliance flexibility to achieve cost-effective reductions
- Allow price signal to motivate long-term investment in cleaner fuel and energy efficiency
- Complement existing programs to reduce smog and air toxics
- Facilitate integration of regional, national, and international GHG reduction programs

Cap-and-Trade Program Features

- ▣ Program Coverage (~80% of total state emissions)
 - ▣ Stationary sources emitting $\geq 25,000$ MT of CO₂e per year
 - ▣ Generators and importers of electricity
 - ▣ Emissions from combustion of supplied fuels & natural gas
- ▣ Built with flexibility and cost control mechanisms
 - ▣ Banking; Multiyear compliance periods; Offsets; Linkage
- ▣ Allocation
 - ▣ Electricity & natural gas utilities for ratepayer protection
 - ▣ Industrial facilities to minimize leakage
- ▣ Auction with price floor for carbon price discovery to inform investment and compliance decisions
- ▣ Market integrity mechanisms
 - ▣ Holding & purchase limits
 - ▣ Disclosure requirements
 - ▣ Tracking system
 - ▣ Robust enforcement & financial penalties

Key Milestones in 2017

- Recent regulatory amendments adopted July 2017 and effective October 1, 2017
- Linkage with Ontario effective January 1, 2018
 - First auction with Québec and Ontario February 21, 2018
- Final 2017 Scoping Plan adopted December 2017
 - includes Cap-and-Trade Program to achieve 2030 GHG target
 - SB 32 requires emissions to be 40% below 1990 levels by 2030
- Legislature passed AB 398 and AB 617
 - Direction on post-2020 Cap-and-Trade Program
 - Develop community-focused framework to reduce exposure to criteria and toxic pollutants in most burdened communities

Main Outlooks for 2018

- AB 398 Post-2020 Direction
 - Two Price Containment Points and Price Ceiling
 - Reduces offset usage limits
 - Assess “Oversupply” of Allowances
 - Other Potential Changes
- Regulation changes will be subject to a public process and coordinated with linked partners
- CARB will host public workshops in early 2018 to engage stakeholders on potential changes
- Issue 45-day Public Notice package Summer 2018
- Summer/Fall 2018 first Board hearing
- December 2018 final Board hearing