

Compliance Obligation for First Deliverers of Electricity

August 26, 2011

CALIFORNIA AIR RESOURCES BOARD

Purpose of This Workshop

- Provide opportunity for stakeholder questions and discussion on “15-day” regulatory language as it applies to First Deliverers of Electricity
 - Comments received during this workshop are not included in the formal rulemaking records
- Staff to provide intent of requirements
- Stakeholder discussion to provide additional input to further clarify and/or strengthen requirements for next 15-day document

Objectives of Cap-and-Trade Program

- Transition to a clean energy economy.
 - Declining limit on GHG emissions to meet AB 32 mandates
 - Carbon price incentivizes lower emissions in production: ‘supply side’
 - Carbon price incentivizes lower emissions in consumption: ‘demand side’
 - California program design consistent with WCI

Goals of Requirements for First Deliverers of Electricity

- Maintain environmental integrity of the Cap-and-Trade program
- Facilitate linkage with WCI and/or federal program
- Ensure price signal is accurate and equitable for in-state and imported electricity

Compliance Obligations for First Deliverers – Electricity Importers

- Resource Shuffling Attestation
- Specified Source emissions
- Unspecified Source emissions
- Imported electricity obligation equation in MRR
- Emissions subtracted include:
 - Replacement electricity
 - Qualified exports
 - Emissions in linked jurisdictions
 - Emissions without a compliance obligation

Requirements for Claim to Specified Source

- Direct delivery of electricity
- Contract or ownership rights
- Meet MRR reporting and emissions calculation requirements
- Electricity not meeting specified source requirements is unspecified

Renewable Electricity Resources

- If directly delivered, then no compliance obligation
- Replacement electricity requirements
 - Contract requirements
 - Must be from same BAA as generation
 - Cannot exceed annual renewable generation
 - Emission factor calculated per MRR

Requirements for Claim to Emission Factor of Zero, or Less than Default Factor

- Must meet all requirements for electricity from a specified source
- Emission factors are calculated pursuant to MRR

Qualified Export

- Stakeholders concerned about simultaneous imports and exports
- Emission from Qualified Exports may be subtracted from compliance obligation if:
 - They match imports delivered by the same PSE in the same hour
 - They may not be used to reduce the compliance obligation of MWh

Resource Shuffling

- Intent to avoid these types of shuffling:
 - Unspecified emission factor to a lower emission factor: ‘Cherry Picking’
 - High emission factor to a lower emission factor: ‘Facility Swapping’
 - High emission factor to unspecified emission factor: ‘Laundering’
- Requirement to submit annual attestations

Issues Identified During 15-day Comment Period to be Addressed

- Definition for ‘electricity importer’
- Replacement electricity
- Qualified export
- Interaction between renewable electricity claims to zero emissions and potential additional claims from the voluntary or compliance markets
- Resource shuffling
- Contracts

Stakeholder Discussion

- Clarifying questions
- Input to further strengthen requirements to meet goals outlined in beginning of presentation
- Input on requirements to address concern for linkage and replacement electricity

Next Steps

- 2nd 15-day language (early Sept)
- Board hearing to finalize Cap-and-Trade (Oct 21)
- Final Statement of Reasons due to OAL (Oct 28)

Contact Us

- Steven Cliff, Chief, CC Program Evaluation Branch
 - scliff@arb.ca.gov
 - 916.322.7194
- Rajinder Sahota, Manager, CC Program Operation Section
 - rsahota@arb.ca.gov
 - 916.323.8503
- Claudia Orlando
 - corlando@arb.ca.gov
 - 916-322-7492
- Bill Knox
 - bknox@arb.ca.gov
 - 916-324-0839