

## UPDATED INFORMATION DIGEST

### REGULATION TO IMPLEMENT THE CALIFORNIA CAP-AND-TRADE PROGRAM

**Sections Affected:** This action amends California Code of Regulations (CCR), title 17, article 5, sections 95802, 95830, 95833, 95910, 95911, 95912, 95913, 95920, 95921, 95942, 94943, 96010, and 96022.

**Background:** The California Global Warming Solutions Act of 2006 (Assembly Bill 32; Stats. 2006, Chapter 488) (AB 32) authorizes ARB to implement a comprehensive, multi-year program to reduce greenhouse gas (GHG) emissions in California. Meeting the goal of AB 32 requires a coordinated set of strategies to reduce GHG emissions throughout the economy that work within a comprehensive tracking, reporting, verification and enforcement framework.

In October, 2011, the Air Resources Board adopted, and OAL subsequently approved, the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms. These amendments allow the cap-and-trade programs of California and Quebec to be linked for purposes of holding joint auctions and use of allowances issued by each jurisdiction to be used for compliance purposes in the other jurisdiction.

#### **Description of the Regulatory Action:**

ARB staff is proposing amendments to the cap-and-trade regulation that would establish the details for common allowance auctions between California and Québec and would allow acceptance of Québec compliance instruments for compliance with California's cap-and-trade regulation. These amendments include requirements for a linked compliance instrument registry and associated registration requirements.

#### ***Linking to Other Cap-and-Trade Programs***

The cap-and-trade regulation includes general requirements for linking to other programs. Establishing linkage, as proposed in these amendments, with other programs requires ARB approval under the California Administrative Procedure Act (APA) before allowances and/or offset credits from an external program can be used for compliance with California's regulation. The amendments would establish linking with Québec under the framework included in the existing cap-and-trade regulation. Québec's cap-and-trade regulation is being amended to include auction rules in common with California's amendments proposed in this rulemaking and to establish a linkage with California. Since the Notice of Proposed Rulemaking was published, Québec has published and adopted changes to its regulations that ensure the programs may be linked without disrupting California's program. These additional documents were added to the record via two 15-day comment periods, pursuant to Government Code section 11347.1.

**Comparable Federal Regulations:** There are no federal regulations comparable to the Cap-and-Trade Regulation.

**Changes to Underlying Laws:** There have been no changes to the statutory authority governing adoption of this regulation. SB 1018, adopted the week of June 28, 2012, directly affects the adoption of regulations regarding linking the California cap-and-trade program to another jurisdiction. SB 1018 requires the Governor to make certain findings prior to approving a linkage with another jurisdiction. ARB provided the Governor with a request to make findings on February 22, 2013, and the Governor officially provided the requisite findings on April 8, 2013. The findings are available here: [http://gov.ca.gov/docs/Request\\_for\\_SB\\_1018\\_Findings.pdf](http://gov.ca.gov/docs/Request_for_SB_1018_Findings.pdf)

**Changes to the Effect of the Regulation:** None.