California's Cap-and-Trade Program: Fuel Facts

Starting on January 1, 2015, fuels, such as gasoline, diesel and natural gas, will be covered under the Cap-and-Trade Program. This will require fuel suppliers to reduce greenhouse gas emissions by supplying low carbon fuels or purchasing pollution permits, called "allowances," to cover the greenhouse gases produced when the conventional petroleum-based fuel they supply is burned.

Why are fuels included in the Cap-and-Trade Program?

Fuels are the Largest Part of the Problem

Transportation constitutes almost 40 percent of all carbon pollution produced in California, by far the largest contributor to greenhouse gas emissions. Transportation fuels also produce 80 percent of smog-causing pollution and more than 95 percent of fine particle pollution from diesel engines. Reducing emissions from the transportation sector is critical to achieving the 2020 greenhouse gas reduction limit required by AB 32, as well as meeting ambient air quality standards and reducing localized health impacts.

Driving Innovation and Cleaner Fuels

Producing more clean fuels in California will create new jobs and contribute to an already robust clean technology economy. With more than 40,000 businesses and 430,000 workers, the advanced energy sector is a bigger employer in the state than each of the following industries: entertainment, mining and quarrying, semiconductor, and aerospace—and it is projected to grow 17 percent in the coming year.

Fairness and Equity

For two years, starting in 2013, the state's largest industrial emitters along with utilities and electricity generators and importers have been subject to the Cap-and-Trade Program. Requiring oil companies to be subject to the same requirements as all other major emitters of greenhouse gases ensures equity between sectors and reduces the cost of meeting California's climate and air quality goals.

Cap-and-Trade Proceeds: Investing in a Cleaner Future for California

Proceeds from the sales of permits under the Cap-and-Trade Program are invested in California, funding programs statewide that improve public health, quality of life and economic opportunity. For 2014-15, the Governor and the Legislature appropriated $832 million of these funds. Fully one-quarter—more than $200 million—must benefit the state's most disadvantaged and burdened communities. Excluding fuels from the program would significantly reduce the proceeds available for these communities.

Strengthening the Economy through Fuel Diversity

Putting fuels into the Cap-and-Trade Program helps to provide California with a range of clean transportation options, reducing our dependence on oil and thus our exposure to volatile oil prices. The Department of Energy estimates that oil dependence imposes direct costs on the U.S. economy of about $300-500 billion each year, or about $33-55 billion in California. These costs result from uncompetitive market conditions and price spikes. The only long-term way to protect Californians from these impacts is to reduce our dependence on petroleum.

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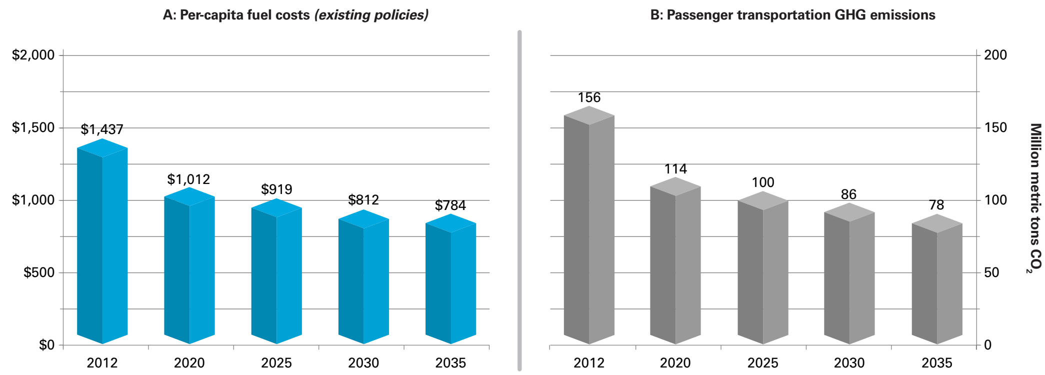
California Environmental Protection Agency
Air Resources Board

AB 32 Programs: Reducing Consumer Fuel Costs

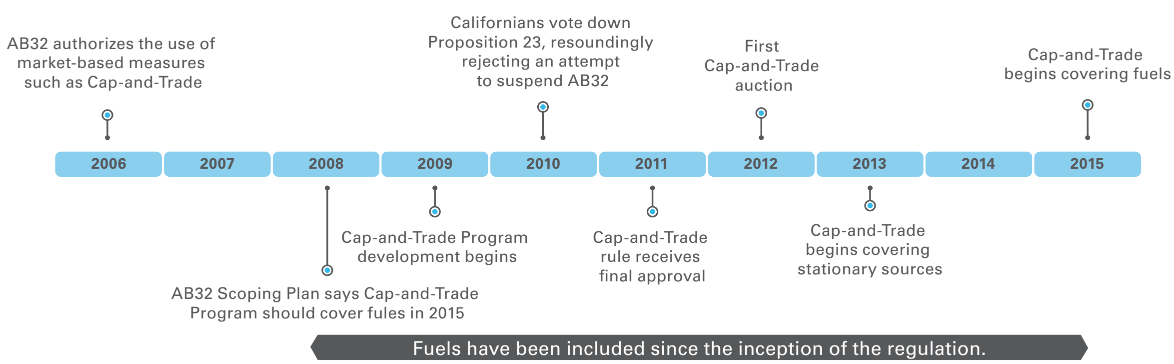
California's energy and environmental policies are helping clean the air and lower fuel costs by promoting more efficient and alternative fueled vehicles and reducing vehicle miles traveled through sustainable community development. As a result of these programs, including putting fuels under the cap, per-capita fuel costs will drop from the current level of $1,400 per year to $1,000 in 2020—with further reductions over the next decades.

(A) Per-capita Fuel Costs and (B) Passenger Transportation GHG Emissions in California as a Result of the Existing Suite of California Climate Policies



Cap-and-Trade Developed Openly and Publicly

The process to develop the Cap-and-Trade Program was transparent, systematic and inclusive. The rulemaking for Cap-and-Trade included dozens of public workshops, hundreds of meetings with stakeholders, extensive consultation with leading economic and regulatory design experts, coordination with other State agencies, briefings and discussions with members of the Legislature, and public board hearings. The oil industry participated from the beginning, including dozens of one-on-one meetings with individual companies and industry associations.



What is the Cap-and-Trade Program?

The Global Warming Solutions Act of 2006, also known as "AB 32," addresses climate change with a variety of programs, including cleaner cars, renewable energy, energy efficiency, and Cap-and-Trade. The Cap-and-Trade Program places an economy-wide "cap" on major sources of greenhouse gas emissions, such as refineries, power plants, industrial facilities and transportation fuels. Each year the cap is lowered by approximately 3 percent, ensuring that California is reducing greenhouse gases. Industries in this program must either reduce their greenhouse gas emissions or buy a limited quantity of pollution permits, also called "allowances." Allowances can be bought through quarterly auctions managed by the Air Resources Board. The proceeds from these auctions are reinvested in California for projects that further reduce greenhouse gas emissions. In these ways, the Cap-and-Trade Program creates incentives to reduce greenhouse gas emissions and move to cleaner forms of energy.

For More Information

This document provides information about coverage of transportation fuels such as gasoline and diesel fuel in California's Cap-and-Trade Program. For more information on the program see the Cap-and-Trade website: *www.arb.ca.gov/cc/capandtrade/capandtrade.htm*.

For more information on what departments are doing to implement programs funded by auction proceeds, please visit: *www.arb.ca.gov/cc/capandtrade/auctionproceeds/auctionproceeds.htm*.