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

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