California Climate Policy Update

January 26, 2018
Assembly Bill (AB) 32 (2006) requires greenhouse gas (GHG) emissions be reduced to 1990 levels by 2020 and Senate Bill 32 (2016) codified the 2030 GHG target of 40% below 1990 levels.

AB 32 requires a regularly-updated Scoping Plan to describe how California will achieve targets.

Last year the legislature passed AB 398 and AB 617.


- AB 617 requires CARB to develop and implement a program to reduce exposure to criteria and toxic pollutants in California’s most burdened communities.
GHG Emissions Trends

- GHG Inventory
- MRR Total Reported GHG Data
- Per Capita GHG

2020 Target
California’s Economy is Growing

Gross Domestic Product and Carbon Intensity of California’s Economy

Increasingly efficient production
Natural & working lands are **not** included in the scope of the statewide limit.

~898 MMT carbon in “live stocks” – forests, grasses, scrub
Scoping Plan Strategy: A Suite of Complementary Measures

- SB 350 - increase renewable energy and energy efficiency
- SB 1383 - Short-Lived Climate Pollutant Plan
- Mobile Source Strategy - help State achieve its federal and state air quality standards
- Enhanced Low Carbon Fuel Standard
- Sustainable Freight Action Plan
- SB 375 – support sustainable community development
- Post-2020 Cap-and-Trade Program

Based on an evaluation of alternatives and an uncertainty analysis, this suite of policies has the highest certainty of achieving the 2030 target.
In 2030, Cap-and-Trade is expected to deliver 34-79 MMTCO$_2$e of additional emissions reductions beyond what is shown in the sector bar chart.

High GWP and Waste emissions reductions targets are 40% from 2013 levels.
Cap-and-Trade Context

- Recent regulatory amendments were adopted July 2017 and went into effect October 1, 2017
  - Regulation development was a two-year process beginning Fall 2015
  - Linkage with Ontario became effective January 1, 2018
- CARB is in the process of evaluating changes to program design features to address AB 398 requirements and respond to Board Resolution 17-21
Cap-and-Trade Program Goals

- Ensure GHG targets are realized through a strict limit
- Provide compliance flexibility to achieve cost-effective reductions
- Allow price signals 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 Design Features

- Flexibility and mechanisms to control costs
  - Banking
  - Multiyear compliance periods
  - Offsets
  - Linkage
- Electricity and natural gas utility allocation for ratepayer protection
- Industrial allocation to minimize leakage: ~41.6 million allowances for vintage 2018 (based on 2016 MRR data)
- Auction with price floor for carbon price discovery to inform investment and compliance decisions
Potential Regulation Changes

- October 2017 workshop addressed potential scope of regulation changes, including (https://www.arb.ca.gov/cc/capandtrade/meetings/meetings.htm)
  - Third compliance period and post-2020 assistance factors
  - Changes to the offset usage limit
  - Establishing two price containment points and a price ceiling
  - Assess for “oversupply”

- Changes will be subject to a public process and coordinated with linked partners
- AB 398 requires that changes be in effect by January 1, 2021
Assistance Factors

- Current regulation assistance factors (AFs)
  - 2013–2017: 100% AFs for all leakage classifications
  - 2018–2020: 100% AFs for high leakage risk, 75% AFs for medium leakage risk, and 50% AFs for low leakage risk
- AB 398 directs CARB to set industry AFs for allowance allocation, commencing in 2021, to 2015–2017 levels
- Board Resolution 17-21 directs staff to propose regulatory amendments to use 2013–2017 AFs for 2018–2020 allocation
- Staff will use public process to assess if 2018–2020 AFs should be set at 100% for all leakage classifications
- If the Board approves any changes, allowances would be allocated retroactively and would be available for the 2021 compliance deadline for the 2018–2020 full compliance obligation
Cap-and-Trade Program Allowance Budgets

2013–2030 Allowances by Year (MMTCO\textsubscript{2}e)

- Allowance Price Containment Reserve
- Allocation to Electrical Distribution Utilities and Natural Gas Suppliers
- Industrial and Other Allocation (estimate)
- State-Owned Allowances
Cap-and-Trade Next Steps and Tentative Schedule

- CARB will host additional public workshops in the first half of 2018 to engage stakeholders on potential regulatory changes
- Tentatively planning to have 45-day package available Summer 2018
- Summer/Fall 2018 first Board hearing
- December 2018 final Board hearing
AB 617 - Focus on Community Action

- Most significant air quality legislation in decades
- Establishes community focused framework
  - Enhanced information on community level air pollution
  - Community specific emission reduction programs
  - Focus on early actions
  - Emphasis on community participation
  - Builds on existing community level efforts
## AB 617 - Next Steps

<table>
<thead>
<tr>
<th>Month</th>
<th>Event Description</th>
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<tbody>
<tr>
<td>Winter 2018</td>
<td>• Draft Concepts; Summit and Community Meetings</td>
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<tr>
<td>March 2018</td>
<td>• Board Meeting Update</td>
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<tr>
<td>May 2018</td>
<td>• Draft Planning Documents</td>
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<tr>
<td>June 2018</td>
<td>• Workshops and Community Meetings</td>
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<tr>
<td>September 2018</td>
<td>• Board Meeting to consider Final Planning Documents</td>
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Additional Information

- California Air Resources Board
  https://ww2.arb.ca.gov/
- Scoping Plan
  https://www.arb.ca.gov/cc/scopingplan/scopingplan.htm
- Cap-and-Trade Program
  https://www.arb.ca.gov/cc/capandtrade/capandtrade.htm
- AB 617
  https://ww2.arb.ca.gov/our-work/programs/community-air-protection-program-ab617