

Proposed Amendments to the AB 32 Cost of Implementation Fee Regulation

September 18, 2014

Background

- AB 32 provides ARB authority to adopt a fee schedule
- Fee Regulation adopted in September 2009
- Total fees collected determined annually according to costs approved in the State Budget for AB 32 program implementation
- Repaid program start-up loans, with accrued interest, from the first four years of the program

Background (cont.)

- Assesses fees to approximately 250 entities, representing about 80 percent of statewide GHG emissions
- Invoice recipients include:
 - Cement manufacturers
 - Electricity importers and in-state electricity generating facilities
 - Industrial facilities
 - Natural gas suppliers
 - Oil and gas producers
 - Refineries and transportation fuel suppliers

Background (cont.)

- Invoices mailed annually
- Invoices are proportional to a fee payer's contribution to California's emissions
- Common Carbon Cost (CCC) assessed for each metric ton of carbon dioxide (MTCO₂) emissions
- CCC formula:
$$\frac{\text{Total Required Revenue}}{\text{Total Annual Emissions}}$$
- The CCC for FY 2014-15 is \$0.121 per MTCO₂ emissions

Purpose of Proposed Amendments

- Align Fee Regulation with MRR and Cap-and-Trade applicability provisions
- Increase reliance on reports subject to third-party verification
- Streamline program administration
- Clarify existing regulatory provisions
- Ensure equitable fee structure

Proposed Amendment Summary

- Align applicability from MTCO_2 to MTCO_2e
- Align fee payment thresholds (i.e., 25,000 MTCO_2e) for natural gas suppliers and transportation fuel producers and importers
- Remove exemption for non-biogenic emissions from waste-to-energy facilities
- Emission factor updates
- Other clarifying changes

Outreach Summary

- Public workshop on June 5, 2014, and one-on-one meetings with stakeholders
- General overall support for proposed amendments that streamline and clarify requirements
- Concerns about assessment of fees on non-biogenic emissions for waste-to-energy
- Concerns about the correction of the petroleum coke emission factor

Suggested Modifications to Staff's Proposal (15-day changes)

- Minor clarifying changes to:
 - Methodology for calculating emission factors used for fuels
 - Definition of petroleum coke

Recommendation

- Staff recommends that the Board approve the proposed amendments to the AB 32 Cost of Implementation Fee Regulation