



Air Resources Board



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AB 32: California Global Warming Solutions Act of 2006

Public Meeting: Recognizing Voluntary Early Actions in Cap-and-Trade

March 10, 2009
9:00 a.m. - 12:00 p.m.
Sierra Hearing Room
2nd floor of the California Environmental Protection Agency (CalEPA)
Headquarters Building
1001 "I" Street, Sacramento, California

Purpose: This meeting will provide a forum to discuss options for recognizing voluntary early actions in a California cap-and-trade program.

AGENDA

Opening Remarks and Explanation of Meeting Structure (15 minutes)

Staff Presentation (15 minutes)

Round-Table Discussion: Which options should ARB explore for recognizing and appropriately crediting voluntary early actions through cap-and-trade? (45 minutes)

Breakout Sessions: (30 minutes each)

1. Voluntary Early Actions at Capped Facilities
2. Voluntary Early Actions at Un-capped Sources or Projects

Reconvene Roundtable: Review and discussion of breakout session results (30 minutes)

Other Issues (15 minutes)

Adjourn

Note: The Sierra Hearing Room at CalEPA Headquarters has limited seating. The meeting will be webcast (<http://www.calepa.ca.gov/broadcast/>) and open to real-time questions via e-mail (ccworkshops@arb.ca.gov). Because we will have a breakout session during a one hour portion of the meeting, we encourage those participating via webcast to email their comments and responses to the breakout questions during that hour. We will include your responses when we reconvene in the final hour of the meeting.

The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption. For a list of simple ways you can reduce demand and cut your energy costs, see our website: <http://www.arb.ca.gov>.

California Environmental Protection Agency

Recognizing Voluntary Early Actions under a Cap-and-Trade Program

Discussion Paper

BACKGROUND

This meeting focuses on the design of a voluntary early action program in California's cap-and-trade system. Future public meetings in the cap-and-trade rulemaking will discuss other design issues including but not limited to offsets, market operations, cap setting, and allowance distribution. These meetings will provide stakeholders and the public with opportunities for input on the details of the cap-and-trade program design that need to be addressed before the Board considers the proposed rule in 2010. AB 32 includes specific criteria that ARB must consider before implementing market-based measures, such as cap-and-trade. Throughout the rulemaking process, ARB will evaluate the options for designing the cap-and-trade program against those criteria.

FRAMEWORK FOR DISCUSSION

Overview

AB 32 calls for ARB to provide "appropriate credit for early voluntary reductions."¹ By requiring allowances to be surrendered for each ton of greenhouse gas (GHG) emissions, the cap-and-trade program provides incentives for covered sources to keep emissions low when the program starts in 2012. In the case of an auction, early actions that reduce GHG emissions reduce the need to purchase allowances. If allowances are freely allocated, one option would be to distribute allowances to capped sources based on an industry-wide emissions average. In this approach, ARB would allocate additional allowances to a source with lower than average emissions.

This meeting will focus primarily on potential mechanisms for providing appropriate credit for early reductions. Any program to provide credit for early action will also need to include provisions for quantifying, reporting, and verifying creditable reductions. These issues will be discussed in more detail at a later date.

ARB invites stakeholder feedback on the options presented, including the feasibility, advantages and disadvantages of each, and on any additional strategies.

GENERAL QUESTIONS FOR DISCUSSION

- What options should California consider for recognizing and appropriately crediting voluntary early actions in a cap-and-trade program?
- What criteria should ARB use to choose among options that are consistent with the overall goals of the cap-and-trade program (e.g., no double counting, reductions are

¹ California Health and Safety Code section 38562(b)(3).

permanent, extent of co-benefits associated with the reductions, compatibility with other State policies, etc.)?

- How far back should we go to establish eligibility for early action credits (e.g., 2007-2011)?
- Should credits be based on total reductions achieved prior to 2012 without regard to when in the eligibility window these occurred (e.g., one source might have started in 2007, and another source may not have started until 2011)?
- Should early reduction credits be treated the same as allowances, and how should they be accounted for in the cap?

Voluntary Early Actions at Capped Facilities

- What options for rewarding voluntary early actions should be considered?
- If allowances are set aside for this purpose, should the number of allowances set aside be limited?
- How should credits provided for early actions affect the level of the cap at the start of the program?
- Should the 2012 cap increase to include early action credits from capped sources, and what conditions or criteria should apply in making that determination?
- Should firms that voluntarily reported emissions to the California Climate Action Registry receive credit for actions they took to reduce emissions²? If so, what years of registry reporting should be considered?

Voluntary Early Actions Outside of Capped Sources

- What options for rewarding voluntary early actions should be considered?
- What criteria should be used to select projects that would be eligible for credits?
- Should project-based voluntary reductions that follow Board-approved protocols qualify for credits in a cap-and-trade program?³
- If early action projects continue to generate emission reductions after 2012, should they still qualify for early reduction credits, set asides, or offsets?

² All reports of firms reporting to the California Climate Action Registry are available here: <https://www.climateregistry.org/CARROT/public/reports.aspx>

³ The ARB has approved project protocols for three different voluntary early action project types: Forestry, Manure Management Digesters, and Urban Forestry. For more information please see the following link: <http://www.arb.ca.gov/cc/protocols/protocols.htm>