

Comments on “Overview of a California Cap-and-Trade Market”
March 23, 2009 stakeholder meeting for AB 32, California Air Resources Board
Submitted by Ken Johnson (unaffiliated)

Page 22 of the staff presentation at the March 23 afternoon meeting¹ briefly discussed the possibility of a reserve price applied to allowance auctions. In my public testimony at the December 11, 2008 Board meeting² I asked the following three questions, which have relevance to a reserve price:

- (1) Would a price floor of \$10 per ton, applied to all auctioned allowances, be feasible and cost effective?
- (2) Could a price floor potentially achieve significant emission reductions beyond the 2020 limit?
- (3) Should a price floor be evaluated as a potential measure for achieving maximum emission reductions pursuant to Section 38560?

The following response was provided by staff (Program Evaluation Branch Chief Kennedy):

One of the commenters this morning, Ken Johnson, asked a number of questions about the use of a price floor, which would set a minimum price as part of auctioning allowances. This is exactly the sort of program design element that we need to consider fully as we go through the regulatory process.

As indicated in the March 23 staff presentation, a price floor is under consideration as an auction design feature, and it should also be considered in terms of its relevance to the statutory requirements of AB 32. ARB’s response to the above three questions will help to clarify the policy issues relating to a price floor and define policy criteria for establishing the floor level. I request ARB’s response to these questions.

¹ [<http://www.arb.ca.gov/cc/capandtrade/workgroup/march232presentation.pdf>]

² [<http://www.arb.ca.gov/board/mt/2008/mt121108.pdf>]