

# **Compliance Obligation for First Deliverers of Electricity**

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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<sup>nd</sup> 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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