California Environmental Quality Act Scoping Meeting for the Proposed Cap-and-Trade Regulation

August 23, 2010
California Air Resources Board

Introduction
Overview of Functionally Equivalent Document (FED)
– Framework for FED
– Scope of Environmental Impact Analyses
– Invite stakeholder discussion and feedback
  • Stakeholders are asked to provide written comments specific to the development for the FED to ARB by September 10, 2010
  (http://www.arb.ca.gov/cc/capandtrade/comments.htm)
Cap & Trade Project Description

• Program establishes a limit on covered emissions starting in 2012
• Emission reductions are required as the limit declines over time
• Program starts in 2012 by covering large industrial sources and electricity delivered to California grid
• Program expands in 2015 to cover emissions from transportation fuels, natural gas and propane
• Trading and offsets provide compliance flexibility to covered sources

How Does the Program Work?

• Sources in the program must surrender ‘compliance instruments’ to match emissions
  – Supply of compliance instruments declines over time
• Compliance instruments include:
  – Tradable permits (‘allowances’) issued by California equal to the annual emissions limit
  – Offsets issued by California
  – Allowances and offsets from linked programs, e.g., Western Climate Initiative
• Compliance instruments can be traded
  – Those with lowest cost reduction opportunities can reduce emissions and sell credits to those who need them
What are Offset Credits?

• Offset credits are issued for verified emission reductions from sources outside of the cap-and-trade program
• All offsets must meet high quality standards
  – Real, additional, quantifiable, permanent, verifiable and enforceable
• Limited use of offsets
• Protocols being considered have geographic limit of United States

Linkage to WCI

• California working with Western Climate Initiative to develop regional program
• WCI released its detailed program design document in July 2010
• Linkage to WCI partner programs will have to be approved by Board
  – The regulation will be amended to include linkage to programs once they are established
• Potential to include linkage language in the cap-and-trade regulation in 2011
California Environmental Quality Act
Scoping Meeting - Framework

Framework for FED
- Based on Project Description (proposed regulation)
- Utilize 2010 CEQA Environmental Checklist
- Programmatic
- FED to include
  - Direct and Indirect Impacts
  - Cumulative Impacts
  - Alternatives

California Environmental Quality Act
Scoping Meeting – Basis for Analysis

Basis for Environmental Analysis
- Cap-and-Trade Regulation (Program) FED
  - Compliance Responses
    - Covered Entities
    - Covered Sectors
    - Program Design Features
  - Compliance Responses in Potential Offset Program
    - Livestock Digester
    - Ozone Depleting Substances
    - Urban Forests
    - Forest Projects
Existing Conditions
• Baseline
  – Measures already in effect, plus
  – Reasonably foreseeable actions
• Impact Analysis
  – 2010 data, projected to 2020 with project, and
  – 2010 data, projected to 2020 without project

Alternatives Analysis
• No Project
• Cap-and-Trade and Offset Design Options
• Command & Control Regulations Only
• Carbon Fee
• Cap-and-Trade Linked with a Federal Cap-and-Trade Program
We want your input!

• Please be specific to the environmental analysis, and

• Please provide written comments to ARB by September 10, 2010.

http://www.arb.ca.gov/cc/capandtrade/comments.htm