



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

August 23, 2010
California Air Resources Board



California Environmental Quality Act Scoping Meeting

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

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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

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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

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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

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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

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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

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California Environmental Quality Act Scoping Meeting - Baseline

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

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California Environmental Quality Act Scoping Meeting - Alternatives

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

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Chuck Seidler, Manager

cseidler@arb.ca.gov

(916) 324-0931

FED TEAM

- Jeannie Blakeslee, lead staff

jblakesl@arb.ca.gov

(916) 445-8286

- Yvette Di Carlo
- Bob Languell
- Ryman Simangan

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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>

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