California economy-wide cap-and-trade program ensures state achieves the AB 32 2020 statewide target of 1990 level and staff preferred policy to achieve 40 percent below 1990 levels by 2030.

US EPA Clean Power Plan goal is to reduce power sector emissions by 32 percent below 2005 levels by 2030.
Today, Western Climate Initiative (WCI) regional market includes linked California and Québec programs

April 2015, Ontario announces plans to implement an economy-wide carbon market to link with WCI linked market

December 2015, Manitoba announces plans to implement an economy-wide carbon market to link with WCI linked market
Considerations for California

- Evaluate the potential to use the Cap-and-Trade Program to pursue State Measures approach for CPP
- Implications for a WCI linked carbon market
- Different program scopes
- Structural program differences
Regional linkages and trading choices may affect both plan approval demonstration and plan operations. See, e.g., 80 Fed. Reg. at 64,893, and 40 CFR 60.5740(a)(3)

Many possible regional options available, including:

- Links between EGU-only plans (including via “trading-ready” plans)
- Links between EGU-only and “broader coverage” markets
- Links between multiple plans with broader coverage

For demonstrations: US EPA has indicated an interest in evaluating linkage effects on EGU emissions. (80 Fed. Reg. at 64,893)
The CPP import/export accounting for links between a broader market and a CPP EGU-only market is described at 80 Fed. Reg. at 64,894. (See also 40 C.F.R. 60.5740). Under this framework, at the end of a CPP compliance period:

- Net allowance imports from EGUs in an EGU-only market are subtracted from reported CO$_2$ emissions in the importing state (the state with a broader market)

- Net allowance exports from EGUs in the broader market state are added to reported CO$_2$ emissions in the exporting state (the state with the broader market)

- These adjustments are reflected in compliance reports and may trigger backstop obligations
Clean Power Plan Issues for Further Exploration

- The CPP is less clear about accounting frameworks and demonstrations to be used for allowance flows between entities which both have economy-wide markets

- Stakeholder feedback on this point is welcome

- Staff also seeks stakeholder feedback on ways the CPP import/export accounting framework may affect the current California/Québec carbon market, and any potential future linkages, including with CPP EGU-only markets
Questions and Comments