

Cap-and Trade Regulation Applicability Guidance

Does the Cap-and-Trade Regulation Apply to My Facility?

For sectors covered as of January 1, 2013, your facility is a covered entity and is required to participate in the cap-and-trade program if it is in a sector listed in Table 2.1 and has covered emissions that meet or exceed the applicability threshold in any data year from 2008 through 2012. If your facility exceeds the applicability threshold for the first time in any year following 2012, your facility becomes a covered entity during that year.

If your facility is in a sector covered as of January 1, 2015, and the covered emissions exceed the applicability threshold in any data year from 2011 through 2014, then your facility is a covered entity and required to participate in the cap-and-trade program starting January 1, 2015. If your facility exceeds the applicability threshold for the first time in any year following 2014, your facility becomes a covered entity during that year.

Once a covered entity, your facility will continue to be a covered entity for the entire compliance period, even if emissions drop below the threshold or your facility ceases reporting and shuts down all processes, units, and supply operations subject to reporting. If your facility's emissions have dropped below 25,000 metric tons CO₂e for an entire compliance period, then your facility is no longer a covered entity effective at the beginning of the next compliance period.

The entity with operational control over the covered sources will be responsible for the compliance obligation surrender under the cap-and-trade regulation.

Nothing in this document supplements the provisions of the cap-and-trade regulation.

Table 2.1 – Covered Entities

Sector	Emission Source	Applicability Threshold	When Covered
Carbon Dioxide Suppliers	Supplied CO ₂	≥ 25,000 metric tons of CO ₂ e	January 1, 2013
Cement Production	Stationary Combustion Emissions	≥ 25,000 metric tons of CO ₂ e	January 1, 2013
	Process Emissions		
Cogeneration	Stationary Combustion Emissions	≥ 25,000 metric tons of CO ₂ e	January 1, 2013
Electricity- First Deliverers	Stationary Combustion Emissions from Electricity Generating Facilities located in CA	≥ 25,000 metric tons of CO ₂ e	January 1, 2013
Electricity-Importers	Imports from Specified Sources	A. All emissions from imports generated by sources with ≥ 25,000 metric tons of CO ₂ e emissions B. All emissions are covered – there is no threshold	A. January 1, 2013 B. January 1, 2015
	Imports from Unspecified Sources	All emissions are covered – there is no threshold	January 1, 2013
Electricity- Self-Generation	Stationary Combustion Emissions	≥ 25,000 metric tons of CO ₂ e	January 1, 2013

Sector	Emission Source	Applicability Threshold	When Covered
Glass Production	Process and Stationary Combustion Emissions	≥ 25,000 metric tons of CO ₂ e	January 1, 2013
Hydrogen Production	Stationary Combustion	≥ 25,000 metric tons of CO ₂ e	January 1, 2013
	Process Emissions		
Iron and Steel Production	Stationary Combustion Emissions	≥ 25,000 metric tons of CO ₂ e	January 1, 2013
	Process Emissions		
Lime Manufacturing	Stationary Combustion Emissions	≥ 25,000 metric tons of CO ₂ e	January 1, 2013
	Process Emissions		
Nitric Acid Production	Stationary Combustion Emissions	≥ 25,000 metric tons of CO ₂ e	January 1, 2013
	Process Emissions		
Petroleum and Natural Gas Systems	Stationary Combustion	≥ 25,000 metric tons of CO ₂ e	January 1, 2013
	Process Vented Emissions		
	Flares and Destruction Devices		

Sector	Emission Source	Applicability Threshold	When Covered
Petroleum Refining	Stationary Combustion Emissions	≥ 25,000 metric tons of CO ₂ e	January 1, 2013
	Process Emissions		
	Catalyst Regeneration		
	Flares and Destruction Devices		
Pulp and Paper Manufacturing	Stationary Combustion Emissions	≥ 25,000 metric tons of CO ₂ e	January 1, 2013
	Process Emissions		
Stationary Combustion	Stationary Combustion Emissions	≥ 25,000 metric tons of CO ₂ e	January 1, 2013
Suppliers of Liquefied Petroleum Gas	Combustion Emissions from Total Volume of Liquefied Petroleum Gas Supplied	≥ 25,000 metric tons of CO ₂ e	January 1, 2015
Suppliers of Natural Gas	Combustion Emissions from the Total Volume of Natural Gas Delivered to Non-Covered Entities	≥ 25,000 metric tons of CO ₂ e	January 1, 2015
Suppliers of RBOB and Distillate Fuel Oil	Combustion Emissions from Total Volume of RBOB and Distillate Fuel Oil Supplied	≥ 25,000 metric tons of CO ₂ e	January 1, 2015

2.1 How Do I Know if My CO₂e Emissions Exceed the Applicability Threshold?

The inclusion threshold is based on the subset of emissions reported and verified under the Mandatory Reporting Regulation (MRR) that generate a compliance obligation. See section 95852 of the cap-and-trade regulation for more details on emissions categories used to calculate a compliance obligation. For most facilities, the total emissions for any year during the period 2008–2010, excluding biomass CO₂ emissions, will give a rough estimate for comparison with the threshold. There may be situations in which a facility's emissions for comparison with the threshold will be slightly different due to the presence of excluded or newly included process, vented, or fugitive emissions.

Example: Refineries reported fugitive emissions under the 2008–2010 MRR, but these emissions do not apply toward the threshold for compliance under the cap-and-trade regulation and should be subtracted when comparing 2008–2010 emissions with the threshold.

Example: Glass Manufacturers would have only reported combustion emissions from 2008–2010, and I will now need to include their process emissions using the methods in the revised MRR for comparison to the threshold.

Additionally, biomass-derived fuels that were reported in 2008–2010 have to meet stricter standards beginning 2011, and may count toward the compliance obligation in some situations.

Electricity importers that imported any amount of electricity from an unspecified source between years 2008–2010 are automatically a covered entity. Electricity importers that imported electricity from specified sources between years 2008–2010 are covered entities if any of the sources emitted more than 25,000 metric tons of CO₂e. In almost all cases specified imports will be from large generators that exceed 25,000 metric tons of emissions. So a safe assumption would be that any entity with specified imports will be a covered entity.

If your facility meets the applicability requirements found in section 95101 of the MRR for both source category and emissions threshold, then it must report. Any facility that fits into one or more of the categories in subsection 95101 for calendar year 2011 or later must submit an emissions data report for that year and for subsequent calendar years, except as provided in the report cessation provisions of subsection 95101(h). The emissions data report must cover all source categories and GHGs for which calculation methods are provided or referenced in the MRR for the facility type. More information about the MRR can be found at <http://www.arb.ca.gov/cc/reporting/ghg-rep/ghg-rep.htm> or by contacting sector specific staff listed on <http://www.arb.ca.gov/cc/reporting/ghg-rep/ghg-contacts.htm>.

2.2 Preliminary Draft List of Covered Entities

A preliminary list of entities determined to be covered by the cap-and-trade regulation is listed here: http://www.arb.ca.gov/cc/capandtrade/covered_entities_list.pdf.

This list includes covered entities with certified non-biomass emissions from 2008 and 2010 and verified emissions from 2009 that meet or exceed the specified thresholds, and is subject to change based on further review and verified emissions reports from 2010 and 2011. The list does not include entities covered starting in 2015, such as fuel suppliers. The preliminary list of covered entities was developed using current MRR data that were not collected explicitly to support the cap-and-trade program.

Amendments to MRR, which are effective January 1, 2012, may modify the list of covered entities (because, for example, some biomass and process emissions have an obligation under the cap-and-trade regulation but were not previously required to be reported).

This list neither substitutes for nor supplements the provisions of the cap-and-trade regulation and is intended to provide information about program coverage based on the best available information as of the creation date indicated in the header of the file. An entity not listed here should not assume that it is not covered by the cap-and-trade regulation. If you have any questions, please contact Greg Mayeur, Stationary Sources Division, at (916) 324-8031 or gmayeur@arb.ca.gov.

2.3 When Do I Need to Register for The Cap-and-Trade Program?

If your facility is a covered entity as of January 1, 2013 then you must register pursuant to section 95830 of the cap-and-trade regulation by January 31, 2012. If your facility is a covered entity as of January 1, 2015 (based on 2011 data), then you must register pursuant to section 95830 of the cap-and-trade regulation by January 31, 2012. If your facility does not fall under either of the above situations then you do not need to register now. If your emissions exceed the applicability threshold in the future, you must register within 30 days of the MRR reporting deadline for which the applicability threshold is exceeded for the first time.

Entity	Reporting Deadline	Registration Deadline	Verification Deadline
Facility Operator or Fuel Supplier	Apr 10	May 10	Sep 1
Electric Power Entities	Jun 1	Jul 1	Sep 1

Example: *If during years 2008-2013 the emissions at your stationary combustion facility fall below the threshold, but exceed the threshold for the first time in data year 2014, then you need to register for the cap-and-trade program by May 10, 2015. As a result you would carry a compliance obligation that would be due in November 2015 for those 2014 emissions.*