



Update on Scoping Plan Implementation & Economic Analysis

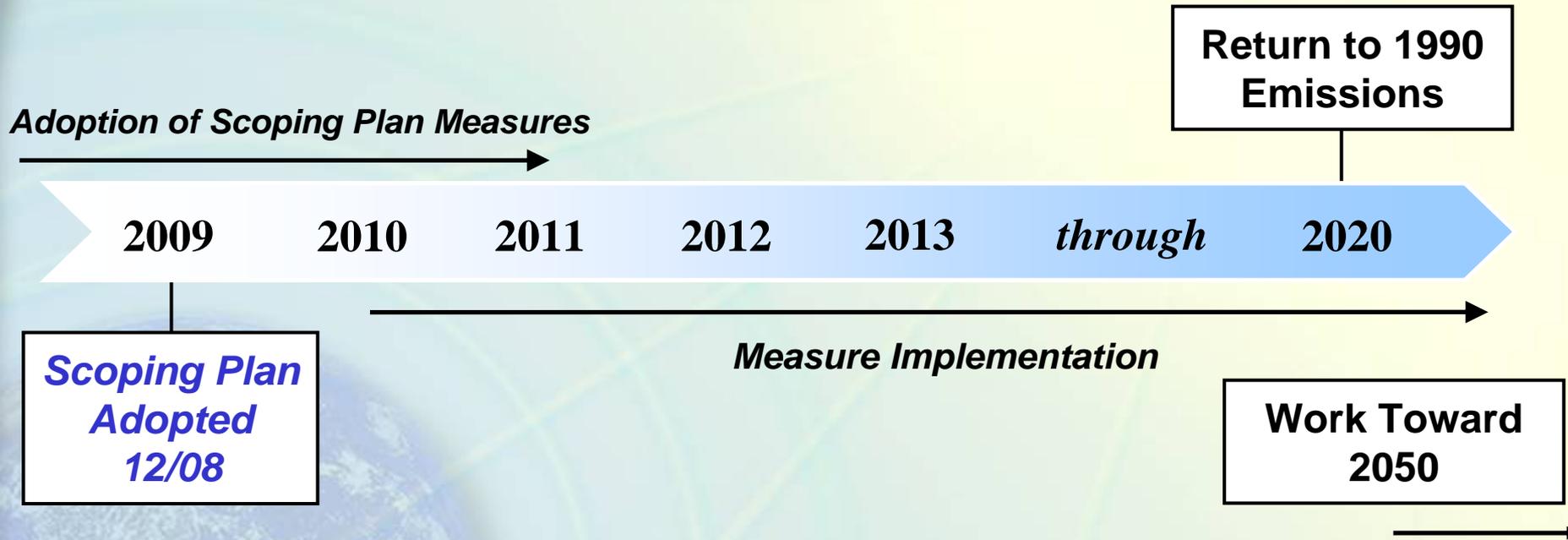
**Economic and Technology Advancement
Advisory Committee Meeting**

April 29, 2009
California Air Resources Board

California's Leadership

- Scoping Plan adopted Dec 12, 2008
- Work has shifted to measure development and implementation

The Next Chapters



Interagency Coordination

- Climate Action Team
 - Reorganization to focus on implementation
 - Draft Climate Adaptation Strategy released April 2009
- Coordination with CEC/CPUC on energy efficiency, RPS, CHP, and cap and trade
- Green Collar Jobs Council
 - Link emission reduction efforts with economic and employment opportunities

Hitting the Ground Running

- Eight out of nine Discrete Early Action Measures adopted
- 10 out of 30 ARB regulatory measures adopted
 - Follow normal rulemaking process for regulations
- Cap-and-trade rulemaking initiated
- Non-regulatory measures also under development
 - SB 375 process
 - Small business and local government toolkits

Regulations Currently in Process

Air Resources Board

- Solar reflective window glazing
- Refrigerant management
- Audits for large stationary sources
- High GWP mitigation fee
- Oil and gas extraction and transmission
- TRUs
- Foam recovery and destruction
- Pavley II
- Refinery flare improvements
- Removal of methane exemption for refineries
- Low friction engine oil
- Medium and heavy-duty hybrids
- Additional high GWP measures

Cap-and-Trade Rulemaking

- Broad-based California cap-and-trade program to provide a declining fixed limit on emissions
- Link to other Western Climate Initiative Partner programs
- Complement health-based air quality programs and EJ policies
- Consider effects of the program on the California economy and public health

2009	Regular public meetings on specific issues
Mid-2010	Preliminary draft regulation released
November 2010	ARB hearing on cap-and-trade regulation
January 1, 2012	California/WCI cap-and-trade programs launch

Principles Guiding Cap-and-Trade Regulation

- Minimize costs and maximize total benefits
- Minimize leakage and administrative burden
- Complement existing air programs to reduce emissions, exposure and risk
- Consider direct, indirect, and cumulative emissions, including localized impacts
- Do not disproportionately impact low-income communities

Cap-and-Trade: Key Rulemaking Provisions

- Scope and Threshold
- Setting the Cap
- Allowance Distribution
- Auction Revenue Distribution
- Offsets
- Reporting
- Market Operations and Oversight (including enforcement)

Economic Analysis

- Working on updated analysis of the Scoping Plan to present to the Board by December 2009
- Ongoing development of individual measures and assessment of their costs and savings
- Solicit expert input on Board and stakeholder concerns
 - Consult with experts on modeling tools, approach, and opportunities for additional analyses
- May 2009 workshop to discuss and solicit input on economic analysis plans
- Periodic public participatory meetings and workshops as part of cap-and-trade rulemaking

Continuing Modeling Efforts

- Continuing to use and refine in-house modeling tools such as E-DRAM and Energy2020
- Evaluating additional modeling tools and external modeling resources
- Will invite analyses performed by other interested parties

Economic Analysis to Support Cap-and-Trade Program Design

- As part of the cap-and-trade rulemaking, ARB will consider the economic implications of different cap-and-trade program design options, including:
 - Various scenarios for allowance distribution (percent auction vs. free distribution, method of distribution);
 - Various scenarios for the use of auction revenue;
 - The initial cap level and the rate of decline of the cap;
 - The potential for reduction opportunities in capped sectors;
 - The potential supply of offsets within and outside California; and
 - The economic and co-benefit effects of limits on the use of offsets