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**California Environmental Protection Agency  
Market Advisory Committee**

**Presentation to the Economic and Technology  
Advancement Advisory Committee**

**May 31, 2007**

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# Process

- Six working groups:
    - Environmental Justice
    - Data
    - Scope of Regulation
    - Electricity Sector and Leakage
    - Offsets and Linkage
    - Allocation; Credit for Early Action
  
  - Outreach to ARB committees
    - Global Warming Environmental Justice Advisory Committee
    - Economic and Technology Advancement Advisory Committee
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# General Strategies

- Propose a cap-and-trade system consistent with design principles and with fundamental goals of:
    - Environmental integrity
    - Cost-effectiveness
    - Fairness
    - Simplicity
  
  - Learn from past experience
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# Design Principles

- A cap-and-trade program to limit California's GHG emissions should be designed to achieve the maximum feasible cost-effective reductions that are real, permanent, measurable, verifiable, and enforceable, consistent with the mandate in AB 32 and the following principles:
    - Avoid localized and disproportionate impacts on low-income and disadvantaged communities or communities already adversely impacted by air pollution.
    - Avoid interference with the achievement of state and federal ambient air quality standards and toxic contaminant reductions.
    - Minimize administrative burdens and maximize total benefits to California, including reducing other air pollutant emissions, promoting the diversification of energy sources, and advancing other economic, environmental, and public health objectives.
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# Design Principles, cont.

- ❑ Be simply designed, easily understood, easy to administer, and easy to comply with.
- ❑ Minimize transaction costs.
- ❑ Minimize the potential for leakage.
- ❑ Include as many sources or categories of sources as practical while encouraging participation beyond the capped sources.
- ❑ Provide appropriate credit for early voluntary reductions.
- ❑ Stimulate investment and reward innovation.
- ❑ Inspire other states, the federal government, and other countries to take action by providing a robust model for effective action and by including mechanisms to facilitate linkage with regional, national, and international GHG reduction programs. California's program should also be consistent with established international standards and build upon existing international programs.

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# Context of AB 32

- Prior to inclusion of market mechanisms, ARB must:
    - (1) Consider the potential for direct, indirect, and cumulative emission impacts from these mechanisms, including localized impacts in communities that are already adversely impacted by air pollution.
    - (2) Design any market-based compliance mechanism to prevent any increase in the emissions of toxic air contaminants or criteria air pollutants.
    - (3) Maximize additional environmental and economic benefits for California, as appropriate.
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# Timing

- June 1: Draft report release for public comment
  - June 12: Public meeting of the Market Advisory Committee
  - June 30: Final report release
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# Public Comments

- The draft report will be released tomorrow
- Please email comments to:  
[climatechange@calepa.ca.gov](mailto:climatechange@calepa.ca.gov)

