

ETAAC Federal subgroup

Discussion Draft

August 8, 2009

Introduction

The ETAAC subgroup on Federal climate activities has produced a preliminary set of information on the possible effects of Federal climate legislation on California's AB 32. To perform this analysis we worked from the "American Clean Energy and Security Act of 2009" (H.R. 2454 by Waxman and Markey) as it passed the House of Representatives in June 2009. In this document we refer to the act using the shorthand "ACES".

The ETAAC Federal subgroup looked specifically at several issues:

1. How does ACES compare to AB 32?
2. How does ACES enhance or reduce California's ability to meet the GHG reductions targets required by AB 32?
3. How can we estimate the flow of GHG allowances into California and money into and out of California from ACES?
4. How do the definitions of offsets and biomass in ACES affect comparable definitions in AB 32?
5. How could money from ACES help California Businesses?

At this point, the subgroup has completed a first pass at gathering information and we invite the full ETAAC and the public to give us feedback on errors and omissions from our data gathering. We have not yet attempted to draw a full set of conclusions or specific recommendation but will do that after getting public input at [our next meeting on August 20, 2009](#).

Background

Our work was informed by several documents that we list below.

Official information on ACES can be found at the House energy web site at

http://energycommerce.house.gov/index.php?option=com_content&view=article&id=1633&catid=155&Itemid=55

An excellent section-by-section analysis of ACES can be found at the Environment NorthEast website:

<http://www.env-ne.org/resources/open/p/id/885/resource/ENE%2520ACES%2520Summary>

WRI and Georgetown Climate Center produced an excellent analysis of the allowance distribution to states and energy consumers under ACES:

<http://www.wri.org/stories/2009/07/analysis-allowances-states-under-hr-2454>

An economic analysis of ACES can be found at

[http://www.eia.doe.gov/oiaf/servicerpt/hr2454/pdf/sroi/af\(2009\)05.pdf](http://www.eia.doe.gov/oiaf/servicerpt/hr2454/pdf/sroi/af(2009)05.pdf)

Preliminary Results

Comparing ACES & AB 32

Table one examines the major titles in ACES (renewable electricity standard, lighting and appliance efficiency, etc.) and summarizes the definitions in ACES, the definitions in the AB 32 Scoping Plan, other California policies, the effects on California of concurrent ACES and AB 32 implementation and additional issues/concerns.

Table one (8/3/09 draft): www.etaac.org/jsp/controller?docName=table1

Comparing ACES to AB 32 Scoping Plan reductions

We examine reduction measure approved in the AB 32 scoping plan to see if ACES is neutral, enhances or pre-empts the reduction measures. Our preliminary conclusion is that the ACES moratorium on a California Cap-and-trade measure creates a shortfall of 34.4 MMT. All other AB 32 reductions totaling 139.6 MMT come from regulatory measures that will still be in force.

We believe that the reductions from a Federal cap-and-trade (17% below 2005) are likely to either come from offsets or overlap the AB 32 regulatory measures resulting in no net decrease in GHG emissions.

Revenues from ACES to California state government and to California Local Distribution Companies (LDC) and DOE efficiency programs will create additional GHG reductions that we estimate in table three.

Table two compares the AB 32 scoping plan to ACES:

Table two (8/3/09 draft): www.etaac.org/jsp/controller?docName=table2

Table three calculates the flow of allowances into California from ACES. This is separated into allowances that flow through state government to be used for energy efficiency and other GHG reduction measures; and free allowances flowing to regulated entities dedicated to for specific public purposes. To determine the value of the allowances, we use a linear interpolation of EPA estimates of \$13/ton in 2015 growing to \$16 in 2020. To convert dollars to GHG reductions we used data from PG&E. We are still looking for a good state-wide figure for \$/kWh saved (energy efficiency) and CO₂/kWh. Data from NRDC assumes that \$1/year invested in energy

efficiency produces 4 KWH of savings in each subsequent year. This assumes there is a sufficient supply of available efficiency measures. For non-energy efficiency investments, we calculate the average price per ton reduction that would be required. This is done by using the shortfall in meeting the AB 32 goal of 1990 level emissions in 2020 and divide that by available federal fund to calculate the money available per ton to achieve the reductions. We do not know if reductions could actually be found at the specified price.

Table three (8/3/09 draft): www.etaac.org/jsp/controller?docName=table3

Offsets

ACES uses offsets much more extensively than AB 32 and it has different quality standards for those offsets than the AB 32 scoping plan, the Western Climate Initiative (WCI) and the Climate Action Reserve (CAR). Table four itemizes the use of offsets in ACES, comparable programs and definitions in the Scoping Plan, WCI & CAR, the impacts on California and issues identified by the ETAAC subgroup. Table five uses the same format to compare the biomass definitions:

Table four (8/3/09 draft): www.etaac.org/jsp/controller?docName=table4

Table five (8/3/09 draft): www.etaac.org/jsp/controller?docName=table5

Based on our preliminary analysis, there are nine major issues on offsets that are summarized in table six

Table six (8/3/09 draft): www.etaac.org/jsp/controller?docName=table6

Assisting California Business

ACES includes specific provisions for assisting trade exposed businesses, advancing technologies and other measures to help business transition and compete in a carbon constrained world. Some specific ways that California can assist California business are discussed in the document below:

Assisting California business (draft): www.etaac.org/jsp/controller?docName=assist

Summary

Information presented in this document and attached tables should be considered preliminary and subject to change. We invite comments and corrections from the general public in writing at either the August 20th ETAAC meeting or via email by August 31st. The ETAAC subgroup will revise the documents and re-publish them by September 18th.