

June 17, 2014

**Comments of the Independent Energy Producers Association on
CARB's AB 32 Cost of Implementation Fee Regulation
– Workshop Presentation June 5, 2014 –**

The Independent Energy Producers Association provides these informal comments on the CARB AB 32 Cost of Implementation Fee Regulation (and associated amendments) presented at the workshop on June 5, 2014.

Currently, the AB 32 Cost of Implementation Fee Regulation imposes a fee on each obligated entity based on a “Common Carbon Cost” (CCC). Once calculated, the fee is imposed on an obligated entity based on each metric ton of carbon dioxide (MTCO₂) emissions reported by that entity. The proposed amendments relate to (a) aligning the Mandatory Reporting Requirements (MRR) and Cap & Trade (C&T) emissions reporting requirements, (b) standardizing the 25,000 MTCO_{2e} threshold for delivery and transportation fuels; (c) broadening applicability to include coal-coke, and (d) assessing fees on non-biogenic municipal solid waste. As reported at the workshop, the goals associated with the program include, among other factors, ensuring an equitable fee structure and decreasing reliance on unsupported data claims (i.e. data not subject to third-party verification).

In the context of these informal comments, IEP withholds comments on the proposed amendments presented by staff pending further assessment. However, we do wish to raise to the CARB's attention an omission in the scope of the amendments that is concerning. Specifically, we refer to the need to amend (or at least re-assess) the current and proposed methodology for imputing emissions associated with so-called “Unspecified Imports.” To the extent that the current methodology for imputing emissions associated with unspecified imports is shielding accurate emissions accounting and reporting, and the allocation of the cost of the Implementation Fee is based on that same accounting mechanism, then inequities that exist today will continue to persist and undermine the integrity of the AB 32 program generally and the C&T Program specifically.

This round of amendments provides a suitable and needed opportunity to re-consider the current methodology for imputing emissions to unspecified imports. A number of studies have raised concerns that the CARB's current approach imputing an emissions factor to unspecified resources may be significantly under-stating the actual emissions associated with unspecified imports and, as a result, fostering resource shuffling; contributing to overall “leakage” of the CARB's AB 32 emissions reduction program; and, creating an inappropriate and unnecessary competitive advantage to relatively high emitting out-of-state resources,¹ Now is the

¹ See James Bushnell, Yihsu Chen, and Matthew Zaragoza-Watkins (2013), Downstream Regulation of CO₂ Emissions in California's Electricity Sector. Energy Institute at Haas Working Paper #236, available at: http://ei.haas.berkeley.edu/pdf/working_papers/WP236.pdf.; See Danny Cullenward and David Weiskopf (2013),

appropriate time, in advance of the significant expansion of the C&T Program beginning January 1, 2015, to revisit the methodology for imputing emissions associated with unspecified imports. Avoiding this issue now risks exacerbating inefficiencies and inequities in the current program design, which evidence suggests contribute to resource shuffling and GHG emissions “leakage,” all of which undermine the CARB’s intent to reduce GHG emissions today and in the near future.

Accordingly, IEP recommends that CARB take this opportunity to revisit and, potentially revise, the current methodology for imputing emissions for unspecified imported power. In reviewing the current methodology, the goal should be to derive a methodology that accurately reflects the “pool of power” imported into California under the label Unspecified Import.

IEP appreciates the opportunity to provide these informal comments on the Cost of Implementation Fee proposal.

Respectfully Submitted,



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