

Cap-and-Trade documents

For Oct. 20, 2011 Board meeting

The Air Resources Board (ARB or Board) will conduct a public hearing on October 20, 2011, to consider approval of the proposed California Cap on Greenhouse Gas (GHG) Emissions and Market-Based Compliance Mechanisms Program.

ARB has posted on its website the following documents that will be considered by the Board at a public hearing: Response to Comments on the Functional Equivalent Document (Response to FED Comments), Proposed Adaptive Management Plan, and Final Regulation Order and Compliance Offset Protocols Prepared for the California Cap on GHG Emissions and Market-Based Compliance Mechanisms Program.

The hearing notice is available at:

<http://www.arb.ca.gov/regact/2010/capandtrade10/capandtrade10.htm>

The October 20, 2011 public meeting agenda is available at:

<http://www.arb.ca.gov/board/ma/2011/ma102011.htm>

The Response to FED Comments document presents ARB staff's written responses to comments on the Functional Equivalent Document (FED) posted October 28, 2010 and included as Appendix O to the Initial Statement of Reasons prepared for the California Cap on GHG Emissions and Market-Based Compliance Mechanisms (Cap-and-Trade) Regulation. Staff prepared written responses to comments that raise environmental issues and were received during the initial 45-day comment period prior to the December 16, 2010 Board hearing, at the Board hearing, and during the comment periods for the two 15-Day Change Notices posted July 25 and September 12, 2011. In accordance with ARB's Certified Regulatory Program under CEQA, the Board will consider for approval the Response to FED Comments prior to the Board taking final action on the proposed regulation.

The FED also included a commitment to an Adaptive Management Plan for the cap-and-trade program. Adaptive management is a process of information gathering, review and analysis, and response that promotes flexible agency decision-making. It is particularly appropriate where complex systems are involved, where the effects of an agency's decisions and actions play out over an extended period of time, and where the agency must meet multiple objectives – as in the case of the proposed regulation. Adaptive management is consistent with ARB's long-standing approach to program implementation which incorporates on-going evaluation of how programs and regulations are implemented on the ground, regular updates to the Board, and adjustments to program implementation and regulatory requirements, as necessary. The Board will consider for approval the Proposed Adaptive Management Plan prior to the Board taking final action on the proposed regulation.

At the December 2010 hearing, the Board directed ARB staff to finalize a cap-and-trade regulation. The cap-and-trade program covers major sources of GHG emissions in the State such as refineries, power plants, industrial facilities, and transportation fuels. The regulation includes an enforceable emissions cap that will decline over time. The State will distribute allowances, which are tradable permits, equal to the emissions allowed under the cap. Sources under the cap will need to surrender allowances and offsets equal to their emissions at the end of each compliance period. If adopted, the program will become effective in 2012, with emissions compliance requirements starting in 2013. Two 15-day notices of regulatory changes were issued during the cap-and-trade rulemaking. The Final Cap-and-Trade regulation order, now available for download, incorporates these changes to the regulation considered by the Board in December 2010. The four final compliance offset protocols identify the project types and quantification methods to generate ARB offsets eligible for use under the cap-and-trade regulation. The protocols are part of the regulatory package and are also available for download.

ARB Response to Comments on the Cap-and-Trade Functional Equivalent Document

<http://www.arb.ca.gov/cc/capandtrade/fed/staff-responses.pdf>

Proposed Adaptive Management Plan for the Cap-and-Trade Regulation

http://www.arb.ca.gov/cc/capandtrade/adaptive_management/plan.pdf

Final Regulation Order

<http://www.arb.ca.gov/cc/capandtrade/finalregorder.pdf>

Final Compliance Offset Protocols:

•Livestock Projects

<http://www.arb.ca.gov/cc/capandtrade/protocols/livestock.pdf>

•Ozone Depleting Substances Projects

<http://www.arb.ca.gov/cc/capandtrade/protocols/ods.pdf>

•Urban Forest Projects

<http://www.arb.ca.gov/cc/capandtrade/protocols/urbanforest.pdf>

•U.S. Forest Projects

<http://www.arb.ca.gov/cc/capandtrade/protocols/usforest.pdf>

In a separate document, ARB staff will also prepare written responses to all public comments received, not just comments on the FED that raised environmental issues. The complete written responses to all comments will be included in the Final Statement of Reasons (FSOR) prepared for the cap-and-trade rulemaking. Upon its completion, the FSOR will be made available in electronic form on the ARB rulemaking webpage at <http://www.arb.ca.gov/regact/2010/capandtrade10/capandtrade10.htm>.