

Independent Emissions Market Advisory Committee
California Environmental Protection Agency
Sacramento, CA and remote participation via Zoom
12:30pm to 2:30pm PDT, November 6, 2024

Meeting minutes — November 6, 2024

1. Call to order, roll call, and establishment of quorum

IEMAC voting members Burtraw, Cullenward, Fowlie, and Holt, were present.
IEMAC non-voting member Kerstein was present.

Chair Fowlie announced the presence of a quorum and brought the meeting to order at 12:35pm.

IEMAC voting member Sutter joined at 12:39pm. Sutter did not take part in agenda items 2 and 3, but joined for the remainder of the agenda items.

2. Welcome, introductions, and meeting purpose

Chair Fowlie welcomed the committee members and members of the public.

No action was taken.

3. Discussion and possible action to approve minutes from October 16, 2024

Chair Fowlie made a motion to approve the minutes from October 16, 2024; Cullenward seconded.
An opportunity for public comment followed, with no comments offered.

Votes in favor: Burtraw, Cullenward, Fowlie, Holt

Votes in opposition: None

Not voting: Kerstein

The minutes were approved.

4. Discussion of Cap-and-Trade Program updates

The committee observed the outcome of Washington state’s ballot proposition I-2117, which would have suspended Washington’s cap-and-trade program and which was rejected by the voters. The committee observed that the California Air Resources Board was planning a vote on the Low Carbon Fuel Standard on Friday, November 8, 2024, and that the voters appear to have approved California climate bond, state ballot proposition 4.

No action was taken.

5. Presentation and discussion of chapter outlines for Annual Report

a. Offsets

Cullenward introduced a first draft of the chapter, based on the outline discussed at the previous committee meeting.

The committee discussed the merits of a longer document that provides historical context for new members of the legislature versus something succinct that is quick to read. The committee discussed the importance of providing more detail on the alternative models to offsets to clarify their function and trade-offs.

A member of the public asked a question about whether the committee intends to make recommendations about the market design through 2030, and recommended that the chapter address both historical litigation over the use of carbon offsets and “success stories” about their non-climate outcomes.

No action was taken.

b. Market design

Burtraw provided an update on the chapter, which will be developed further in the coming weeks. Burtraw highlighted the potential benefits of an emissions containment reserve and potential changes to the implementation of the allowance price containment reserve.

The committee discussed the relative priorities of market design issues associated with higher versus lower prices.

No action was taken.

c. Carbon removal

Sutter provided an update on the chapter, which will be developed further in the coming weeks. The chapter will focus on carbon management broadly, inclusive of point-source carbon capture and storage (CCS) as well as carbon dioxide removal (CDR). It likely will suggest that the resolution of some policy questions can be addressed through the implementation of SB 905, particularly those related to carbon capture and storage.

The committee discussed mechanisms for integrating CCS and CDR in the cap-and-trade program, questions related to the potential for mitigation deterrence, and the relationship between the cap-and-trade program under SB 905. The committee noted that integrating CDR may require additional issues to be addressed beyond the scope of SB 905 currently expected, including questions about whether emissions associated with CDR could create leakage that would need to be addressed.

A member of the public commented that this chapter bears some similarity with respect to the offsets chapter.

No action was taken.

d. Affordability and cost containment

Chair Fowlie proposed that the committee should split this chapter up into two chapters, one focused on affordability and the other on cost containment.

The affordability chapter would include discussion of current energy prices and the relationship between carbon pricing, other drivers, and those energy prices. It would also provide simple metrics for thinking about price incidence and how the existing utility rebates relate to those impacts. The chapter will include some discussion of potential future market prices based on modeling work published to date.

A member of the public commented that energy modeling results can sometimes tend to predict higher prices than what are observed in retrospect and recommended carefully articulating uncertainty in future price trajectories.

A member of the public commented that cost pass-through is an important feature to encourage appropriate consumer responses, along with measures to address affordability like some kinds of rebates that do not undermine this incentive.

The cost containment chapter will address the cost of unmitigated greenhouse gas emissions, and the relationship between market-based costs, reduced climate ambition, or heavier reliance on regulatory policies.

A member of the public commented that it might be helpful to reference the role of the cap-and-trade program in scoping plans prior to the 2022 Scoping Plan, to give context for its growing but non-exclusive role in state climate strategy.

No action was taken.

e. Disadvantaged communities

Chair Fowlie indicated that the subcommittee needs to consult with the Environmental Justice Advisory Committee prior to drafting and sharing work with the full group.

No action was taken.

f. Emissions leakage

Chair Fowlie discussed indicated that this work is forthcoming.

No action was taken.

g. Allowance allocation and auction revenues

Cullenward mentioned his intention to calculate allowance allocation shares based on the annual allowance budgets, rather than the full detail of allowance auction outcomes, and to separately report Greenhouse Gas Reduction Fund outcomes that reflect those dynamics.

No action was taken.

6. Future meetings – Chair Fowlie

Chair Fowlie asked the subcommittees to prepare complete drabs for circulation to the full committee by December 15, 2024.

The next meeting of the IEMAC will be on December 18, 2024 from 12:30 p.m. to 3:00 p.m.

7. Public Comment on Items not on the agenda – Chair Fowlie

No public comments were offered.

8. Adjournment – Chair Fowlie

Chair Fowlie adjourned the meeting at 2:20pm.