



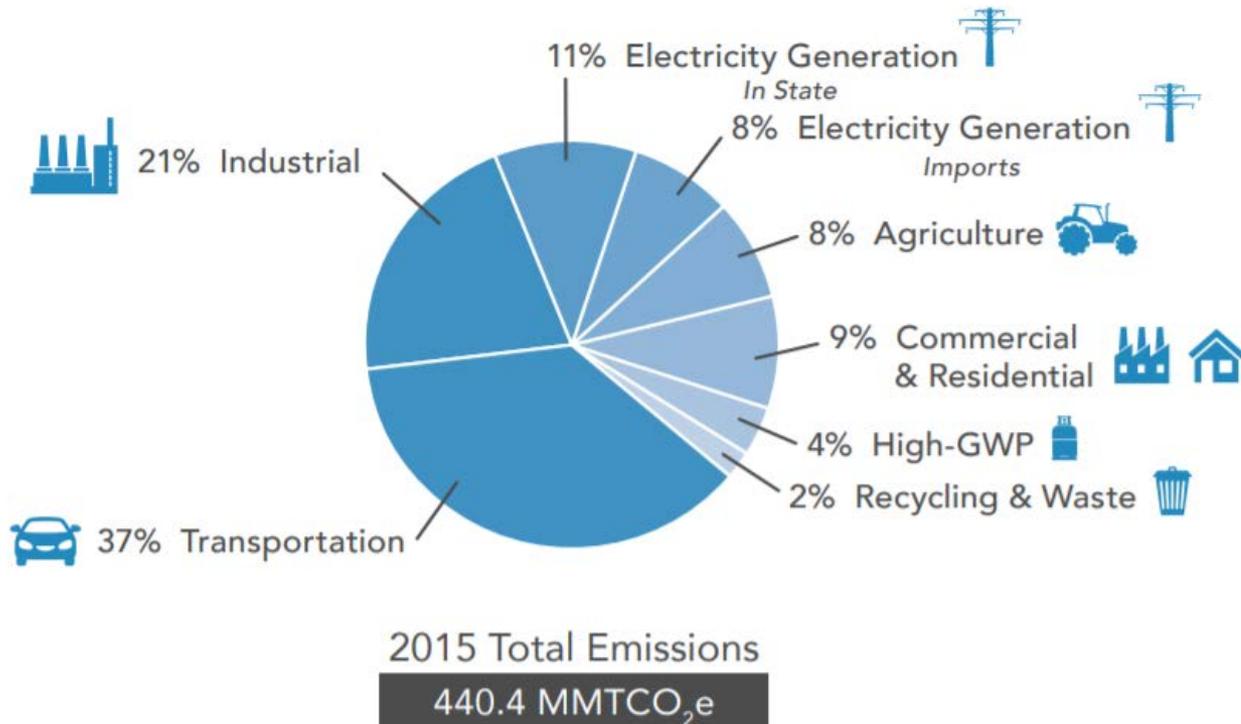
# 2017 Scoping Plan Update and Scope of Current Cap-and-Trade Rulemaking



June 20, 2018

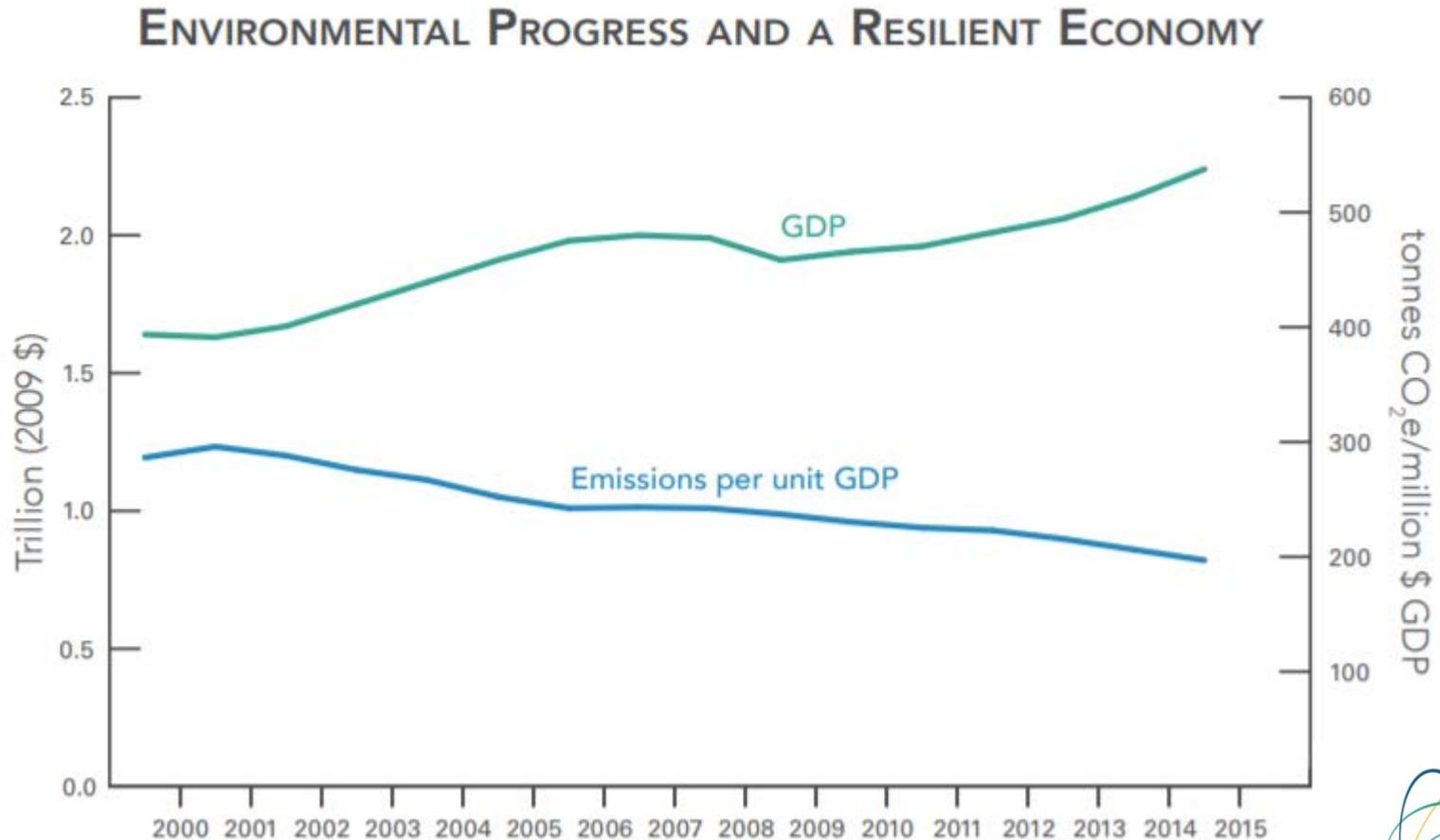
# GHG Emissions Inventory

## CALIFORNIA CARBON EMISSIONS BY SCOPING PLAN SECTOR

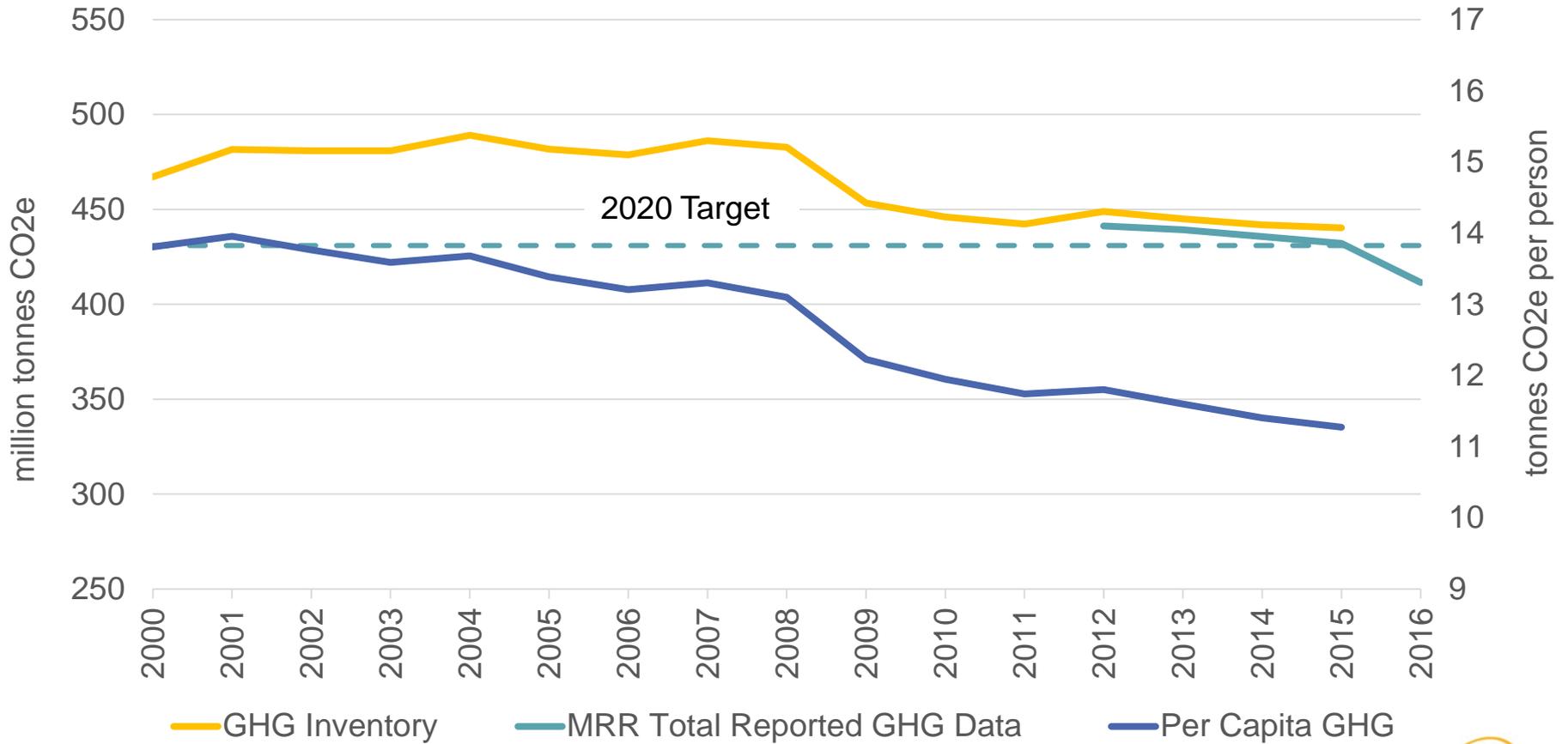


- Natural & working lands are **not** included in the scope of the statewide limit
- ~898 MMT carbon in “live stocks” – forests, grasses, scrub

# California's Economy is Growing



# GHG Emissions Trends



On track to achieve the 2020 target before 2020

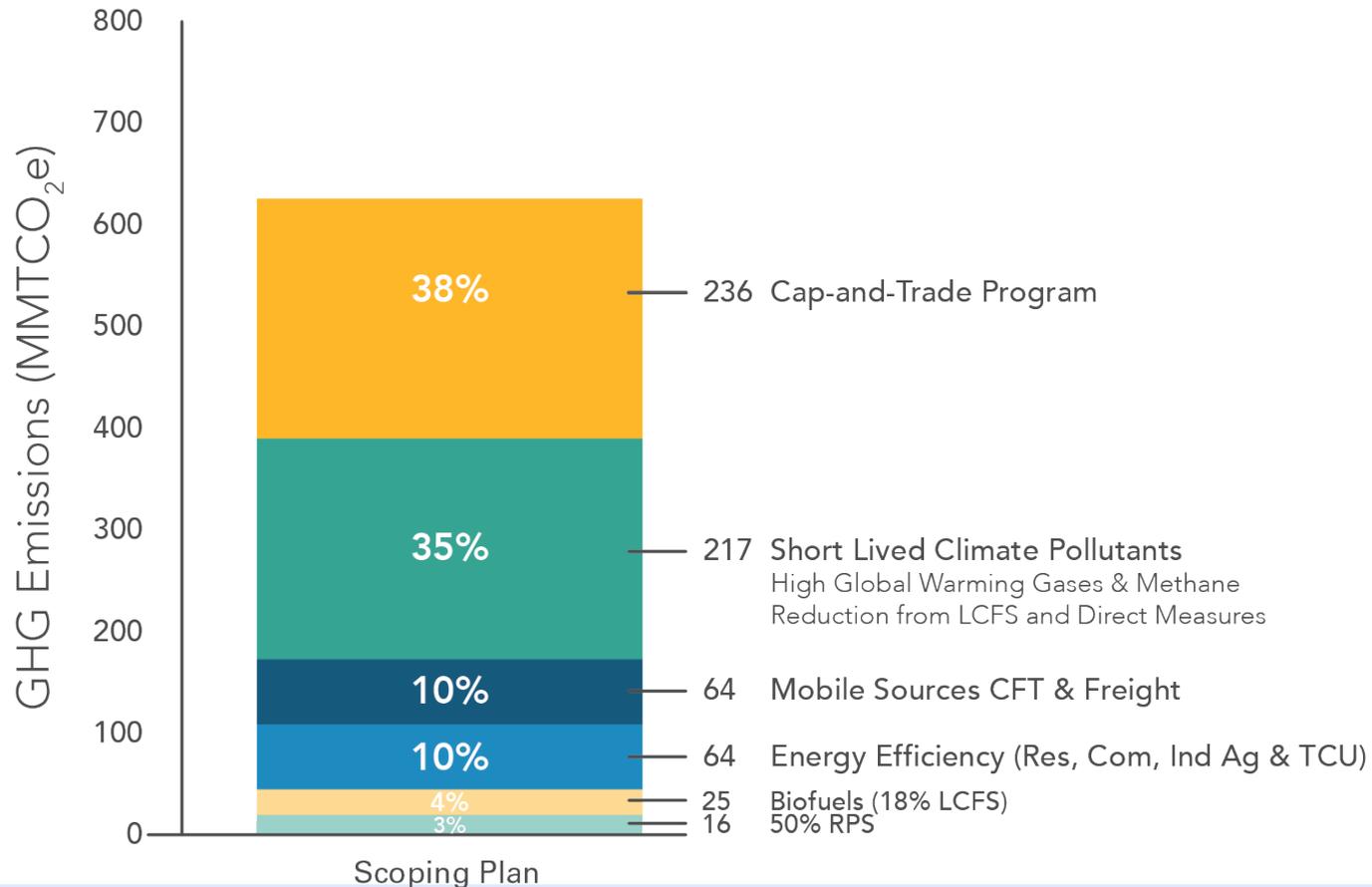


# Key Metrics for Tracking Progress

- Annual GHG Inventory
  - Emissions by sector
  - Production data for specific sectors
  - Weather patterns
- Tonnes per million \$GDP
- Volumes of renewable fuels (low carbon fuels)
- Penetration of ZEVs, efficient medium and heavy duty vehicles
- GWh of renewable electricity, RPS statistics
- Energy demand

# 2017 Scoping Plan Measures

## Estimated GHG Reductions by Scoping Plan Measure



# Implementation of 2017 Scoping Plan

- Low Carbon Fuel Standard Regulation
  - Increased 2030 carbon intensity from 18% in the 2017 Scoping Plan to 20% in the current staff proposal
- SB 350 Integrated Resource Plans
  - Data suggests three largest investor owned utilities will achieve 50% RPS by the end of this decade, 10 years ahead of the SB 350 mandate
- Work continues to identify mechanisms to reduce vehicles mile traveled as modeled in the 2017 Scoping Plan
- Work continues on measures in the Short-lived Climate Pollutant Strategy

# Cap-and-Trade Program

- Economy-wide program with declining cap
- Includes steadily increasing auction floor price to create an economic incentive for investments in cleaner, more efficient technologies
- Total emissions to be delivered by program are uncertain as those ultimately depend on performance of complimentary measures, economic growth through 2030, and other factors
- Goal is to ensure carbon price allows for efficient and timely discovery of lowest cost emission reduction technologies

# Board Resolution 17-21

July 2017, Board Resolution 17-21 directed staff to continue work on specific post-2020 allocation topics:

- ▣ Transition Assistance
  - ▣ Legacy contracts
  - ▣ Waste-to-Energy
  
- ▣ Allocation
  - ▣ Cap adjustment factors
  - ▣ Assistance factors

# AB 398 Post-2020 Direction

- ▣ Program design changes
  - ▣ Price ceiling
  - ▣ Two price containment points
  - ▣ Treatment of unsold auction allowances
  - ▣ Reductions in offset usage limits, with differentiation for offsets with “direct environmental benefits to the State”
  - ▣ Post-2020 allocation assistance factors
- ▣ Evaluations and potential changes
  - ▣ Banking rules
  - ▣ Concerns on *overallocation*

# Approach to Current Rulemaking

- Continue market design for steady, predictable, increasing floor price, with a declining cap, to prompt investments and actions to achieve mid- and long-term GHG reductions
- Carbon price signal should conform to legislation and maintain integrity of the pre-2021 period of the Program
- Avoid penalizing covered entities in response to early action to reduce GHGs or investments in allowances
- Collaboration through Program linkage
- Maintain benefits of Program's market features
  - Cost-effective through opportunities to identify lowest GHG reductions across economy
  - Compliance flexibility through trading and multiyear compliance periods
  - Minimize leakage

# CARB Next Steps

- ▣ No specific staff proposals at this time
- ▣ Public workshops first half of 2018
- ▣ Formal 45-day staff proposal late summer 2018 with comment period
- ▣ Tentative first Board hearing Fall 2018
- ▣ Tentative final Board hearing December 2018

# Reporting and Oversight

***Ongoing monitoring and reporting provides opportunities for public input, Board feedback, and adjustments if needed***

- ▣ CARB annual Greenhouse Gas Inventory (data) and annual Mandatory GHG Reporting Data
- ▣ Annual status report to the Board on Scoping Plan implementation
- ▣ Update to AB 32 Scoping Plan at least once every 5 years (written report)
- ▣ SB1018 (written reports)
  - ▣ Semi-annual update on key climate programs
  - ▣ Semi-annual report on actions proposed by WCI, Inc.
  - ▣ Annual fiscal report on prior fiscal year
  - ▣ Annual resource report on resources by major program area

# Reporting and Oversight, cont.

## ▣ AB 197

- ▣ Annual informational report by CARB Chair on emissions covered by Scoping Plan

## ▣ AB 398

- ▣ Annual report by the Independent Market Advisory Committee on environmental and economic performance of relevant climate policies
- ▣ Annual report by the Legislative Analyst Office on the economic impacts and benefits of specified greenhouse gas emissions targets