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

June 20, 2018
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
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

- 236 Cap-and-Trade Program (38%)
- 217 Short Lived Climate Pollutants (High Global Warming Gases & Methane Reduction from LCFS and Direct Measures (35%)
- 64 Mobile Sources CFT & Freight (10%)
- 64 Energy Efficiency (Res, Com, Ind Ag & TCU) (10%)
- 25 Biofuels (18% LCFS) (4%)
- 16 50% RPS (3%)
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
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