

IETA Comments on 2023 IEMAC Annual Report

The [International Emissions Trading Association](#) (IETA) welcomes this opportunity to provide comments on the 2023 Annual Report of the Independent Emissions Market Advisory Committee (IEMAC). For over 20 years, IETA has been the leading global business voice on robust market solutions to tackle climate change while driving clean finance at scale. Our global non-profit organization represents over 300 member companies that support the use of cap-and-trade (C&T) programs to address the climate crisis. IETA's expertise is regularly called upon to inform carbon market solutions that deliver measurable climate outcomes, address economic competitiveness and carbon leakage concerns, balance efficiencies with social equity, and support a just transition. IETA provides comments on chapters 2-4 of IEMAC's report, highlighting support for many of the presented positions, particularly related to increased program stringency, additional linkage efforts, and robust subsurface carbon management practices.

Affordability and the Climate Transition:

IETA strongly holds that C&T should play a workhorse role for the state, meaning the instrument should do most "heavy-lifting" on driving measurable, cost-effective greenhouse gas (GHG) reductions. In alignment with IETA's position, IEMAC acknowledges that the C&T program offers important cost advantages relative to alternative prescriptive regulations.

We fully support IEMAC's position that the overall costs of meeting California's emissions reduction targets can be lessened by placing a greater reliance on the C&T program whilst reducing the reliance on other prescriptive regulations. IETA agrees the program has a critical role to play in cost containment efforts, which should be maintained and expanded over time (including post-2030, and ideally out to 2045¹). We also highlight the pivotal cost-containment benefits that high integrity offsets provide for compliance entities – tools that should be used to and through 2030.

We agree with IEMAC's assessment that program stringency will need to be tightened to enable the program to drive a larger proportion of the state's emissions reductions. To best position the program as the workhorse, IETA encourages CARB to implement – at the minimum – the proposed 48% reduction below 1990 levels by 2030 scenario. IETA supports CARB's modeled scenario 3(a) presented in November², which would see all allowances removed from the auction and allocation budget. Alternative scenarios where allowances are primarily removed from price containment accounts are problematic and could have severely negative consequences for both California consumers and industries. See IETA's [November submission](#) to CARB, for additional insights on the potential consequences of such an approach.

¹ A reminder about [IETA's analysis](#), prepared by Sheppard Mullin LLP in 2022, which concluded that a two-thirds legislative majority would likely not be necessary to extend the program post-2030.

² Joint California-Québec Workshop: Potential Amendments to the Cap-and-Trade Regulation, Combined Presentation, 16 November 2023 ([Link](#))

Propagating California’s Program Success and the Vision of AB32 through Program Linking:

IETA recognizes California as a world leader in climate action. California’s successful linkage with Quebec further elucidates the state’s global climate policy leadership, being one of the only internationally linked carbon pricing programs to date. As IEMAC alludes to, 2024 is a critical year for US carbon pricing; IETA is in full agreement that California should expand its administrative and logical support to maximize policy leadership and guidance for emerging programs across the country. IETA further agrees with IEMAC’s suggestion that California should actively encourage the propagation of its climate and technology policies to maximize national and global benefits.

IETA has long been an advocate of the benefits of linking compliance carbon markets. We are aligned with IEMAC’s position that new linkage partners would yield numerous benefits for each jurisdiction “including the opportunity for greater emission reductions, easing the administrative burden of program implementation, potentially lower[ing] cost of compliance for covered entities, and the less-tangible but essential momentum for climate action.” Further, IETA supports IEMAC’s recommendation that CARB should initiate a process for evaluating linkage with Washington, given that Washington has clearly signalled intention and is taking substantial steps to link markets with California and Quebec. Additionally, as IEMAC recognizes, New York is actively working to finalize the New York Cap-and-Invest (NYCI) program by December 2024. The NYCI program is likely to “borrow” design elements from existing programs including California and Washington, which would position the program as another strong potential linkage partner.

While Washington and New York represent the most tangible near-term linkage opportunities for California, IETA would also like to flag other emerging state-level programs which provide CARB leadership opportunities and potential to explore/expand new linkage partnerships. Colorado is implementing an emissions trading system for its manufacturing sector, which includes C&T elements. Very recently, Maryland Democratic legislators introduced a bill³ that would require the state to implement a C&T program by December 2024. Lastly, Oregon is undergoing a twelve-month rulemaking process to re-implement the state’s carbon pricing program – which acted similar to a C&T program – where all regulated facilities were freely allocated (*rather than auctioned*) allowances to comply with the cap. This new rulemaking process could open the potential to establish a more market-oriented approach, like the efforts in Washington and New York. CARB should aim to play an active role in the development of these emerging state-level efforts, providing guidance to inform high-quality carbon pricing systems that yield meaningful emission reductions while expanding market linkage potential.

Subsurface Carbon Management:

IETA agrees with IEMAC on the importance of addressing regulatory uncertainty regarding subsurface carbon management to provide investors with the confidence to invest in large-scale carbon capture and sequestration projects within the state. IETA recognizes the substantial potential of these technologies to support the state’s ambitious climate efforts and strongly encourages recognition of carbon capture and

³ Maryland General Assembly, Department of the Environment and Transportation, HB 1272 ([Link](#))



sequestration activities within the C&T program. We welcome IEMAC's acknowledgement that the state is already working on a clear policy for subsurface carbon management through SB 905.

Conclusion:

IETA appreciates the opportunity to provide feedback on the draft 2023 Annual Report of the Independent Emissions Market Advisory Committee. In general, we are aligned with a majority of the IEMAC's positions, particularly on their support for the expansion of the C&T program and the benefits of linkage. For additional information or questions, contact IETA analyst [Joey Hoekstra](#).