

The background of the slide features a stylized, semi-transparent image of the Earth as seen from space, showing continents and cloud patterns. The image is positioned on the left side and fades into the light blue and yellow gradient background.

***California Cap-and-Trade Program
Preliminary Draft Regulation (PDR)***

***CLIMATE ACTION TEAM
PUBLIC MEETING***

December 3, 2009

2:00 to 4:00 p.m.

**Sierra Hearing Room
California Environmental Protection Agency**

Program Goals

- Put major GHG emission sources under a stringent declining cap that supports AB 32 goal
 - Industry, electricity, including imports, transportation and natural gas fuels
- Participate in regional cap-and-trade program (Western Climate Initiative)
- Facilitate reductions from Scoping Plan measures that help meet the cap
- Achieve most GHG reductions from capped sources
- Allow a portion of compliance obligation to come from offsets
- Provide clear rules on trading, tracking, enforcement

Cap-and-Trade Design

- Scope (who's in)
- Annual budget (declining cap defined)
- Emissions reporting and tracking
- Allocation of allowances
 - Free distribution
 - Auction
- Offsets
- Use of allowance value
- Market operation

What's in the PDR and How Is It Structured? [1]

- Key provisions
 - Applicability
 - Annual allowance budgets
 - Allowances and offsets (compliance instruments)
 - Registration and tracking
 - Surrender (compliance) requirements
 - Mechanisms for distributing and auctioning allowances
 - Use of auction proceeds
 - Linkage to other cap-and-trade systems
 - Offset credits
 - Enforcement and penalties

What's in the PDR and How Is It Structured? [2]

- Discussion of concepts and issues
 - Applicability and approaches to emissions reporting
 - Allowance allocation and avoiding leakage
 - Offsets crediting issuance and approval
 - Specific requirements for covered entities
 - Methods for calculating emissions from transportation fuels
 - Market operations
 - Considerations for accounting for potential increases in co-pollutants

Timeframe for Cap-and-Trade Rulemaking

- 1st Public Release: Late November 2009
- 2nd Public Release: Spring 2010
- Final Draft Regulation: Summer 2010
- Board Hearing: October 2010
- First Auction: 2nd half of 2011
- Program Launch: January 1, 2012

Questions?

