

# **AB 32 Implementation**

**Presentation to the  
Economic and Allocation Advisory  
Committee  
August 13, 2009**

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- Status of AB 32 implementation
- Next steps for ARB
  - Continuing work on implementing measures through individual rulemakings, including the cap-and-trade rulemaking
  - Work on updated economic analysis
- Role for Economic and Allocation Advisory Committee

# ARB Accomplishments

- Adopted Mandatory reporting regulation
- Set 2020 emission target
- Adopted Scoping Plan
- Adopted other emission reductions:
  - Pavley clean car standards
  - Low carbon fuel standard
  - Ship electrification
  - Port trucks
  - Consumer products
  - Landfill methane control
  - Efficient trucks
  - Car air conditioners
  - Sulfur hexafluoride
  - Semiconductor manufacturing
  - Cool cars
  - Tire inflation

# ARB – Currently In Progress

- Cap-and-trade program being developed with Western Climate Initiative
- More economic analysis
- Multiple other measures including:
  - Refrigerant management
  - High GWP fee
  - Foam recovery
  - Pavley II vehicle standards
  - SB 375 targets
  - Oil/gas extraction & transmission
  - More efficient goods movement
  - Hybrid trucks
- Must be adopted by end of 2010 and in effect 2012

# Economic Analysis of AB 32 Implementation

- The Board directed staff, by December 2009, to examine and report on:
  - costs and savings of the measures in the Plan, including appropriate consideration of co-benefits
  - estimates on the timeline of the investments and related costs and savings
  - sensitivity analysis, and
  - consideration of the effects on small business
- ARB and Cal/EPA will consult with EAAC as this work develops
- This effort will inform ongoing implementation of AB 32 measures

# Cap-and-Trade Rulemaking Timeline

- Fall 2009: Release preliminary draft regulation
- December 2009: EAAC recommendations
- Early 2010: Second regulation draft
- Mid-2010: Final regulation draft and staff report
- November 2010: Board hearing
- January 1, 2012: Cap-and-trade start-up

# Preliminary Draft Cap-and-Trade Regulation

- ARB Staff plans to release a preliminary draft of the cap-and-trade regulation this fall
- The preliminary draft will:
  - show overall structure of the regulation
  - indicate staff thinking in many key policy areas
  - include placeholders for some key policy areas
- The preliminary draft will provide EAAC with context for its recommendations on allocation of allowances and revenue use
- EAAC recommendations will be used in developing the second draft

# Advice on Allocation and Revenue Use

- EAAC will provide expert input on issues related to the distribution or auction of allowances and the use of revenue
- These issues include:
  - the strategies and mechanisms for distribution of allowance value among various stakeholder groups (e.g. consumers/households, businesses, etc.)
  - the economic and distributional effects of these strategies and mechanisms
  - issues relating to the effect of allowance value distribution on inter-state and international competition

# Economic Analysis of Cap-and-Trade Program

- The Board directed staff to consider the economic implications of different cap-and-trade program design options
- Staff will continue to analyze the economic effects of the cap-and-trade program during rule development through the remainder of 2009 and in 2010
- Members of the EAAC interested in advising this process will be consulted throughout this effort

- ARB and Cal/EPA staff will work with the EAAC members to facilitate information sharing with committee members and the public
- Staff will post information that is shared with committee members to the EAAC website:

**<http://climatechange.ca.gov/eaac/index.html>**

EAAC Website:

<http://climatechange.ca.gov/eaac/index.html>

ARB's Climate Change Website:

<http://www.arb.ca.gov/climatechange>

California's Climate Change Website:

<http://climatechange.ca.gov/>

ARB's Cap-and-Trade Web Site

<http://www.arb.ca.gov/cc/capandtrade/capandtrade.htm>

Western Climate Initiative

<http://www.westernclimateinitiative.org>