

IETA Submission to California’s Air Resources Board (CARB) on “Potential Amendments to the Cap-and-Trade Program” Public Workshop

17 August 2023

The [International Emissions Trading Association](#) (IETA) welcomes this opportunity to provide input on the potential amendments to the California cap-and-trade program presented by California’s Air Resources Board (CARB) on 27 July. 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 companies, including many with operations, clean investments and workforces across California.

Cap-and-Trade as a Workhorse:

We see a growing chorus of California stakeholders now advocating for more climate ambition driven by California’s cap-and-trade program. As IETA has communicated previously to CARB, our strong view is that cap-and-trade should play a workhorse role, meaning the instrument *should* do most “heavy-lifting” on driving measurable, cost-effective greenhouse gas (GHG) reductions. Through CARB’s forthcoming cap and trade rulemaking process, IETA will continue stressing the importance of program improvements to achieve an increasing share of California’s reductions to meet its 2030 climate target and 2045 carbon neutrality target.

We support CARB’s ongoing modeling efforts that include lower cap levels. At present – and at a minimum – IETA encourages CARB to implement the proposed 48% reduction below 1990 levels by 2030 scenario. Going forward, IETA’s community also has strong interest in seeing the 55% scenario modeled by CARB; this would allow stakeholders have a more fulsome understanding of the breadth of scenarios and their respective impacts.

Cap-and-Trade Beyond 2030:

With caps declining to net-zero emissions, IETA’s adamant that the state’s cap-and-trade program should be extended through at least 2045. Over the last year, we have provided significant rationale and evidence in support of program extension (including most recently in IETA’s July 2023 CARB submission)¹.

In brief, extension would eliminate post-2030 uncertainties, unlock additional climate investments for the state, create ideal conditions for investors to confidently reduce in-state emissions, and alleviate concerns around banked allowances. Legal analysis, published by IETA in late 2022,² not only suggests a strong case for CARB’s authority to extend the program through regulation, but also that a simple majority is all that’s required for post-2030 extension. Supporting extension, IETA commends CARB for committing to build out allowance budgets for 2031-2045. Moreover, IETA recommends CARB continue to clarify as appropriate the role of the cap-and-trade program through 2045.

¹ IETA Comment Letter on CARB’s June 2023 C&T Workshop ([Link](#))

² IETA Legal Memorandum on California Cap-and-Trade Program Beyond 2030. Submitted to the Independent Emissions Market Advisory Committee. ([Link](#))

Evaluate Implications of an Emissions Containment Reserve:

The allowance budgets, proposed by CARB at the July workshop, did not include potential impacts of a possible future Emissions Containment Reserve (ECR). As this mechanism could be considered a reasonable option to address supply concerns (in conjunction with other program changes), we suggest that CARB consider modeling the ECR and its impacts.

Conclusion:

IETA appreciates this opportunity to record insights and recommendations to CARB on potential amendments to the California cap-and-trade program. We look forward to continuing frequent engagement with CARB through its upcoming official rulemaking period.