

# Background on Cap-and-Trade Program

Dr. Catherine Garoupa

Central Valley Air Quality Coalition

AB 32 Environmental Justice Advisory Committee

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**California has some of the worst air quality in the country. The problem is rooted in the San Joaquin Valley**

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## **California Farm Counties Are Not Even Close to Meeting the EPA's New Clean Air Quality Standard**

The nation's largest agriculture region has never been able to meet the EPA's standard for pollution from particulate matter. Health and environmental justice groups are hoping the new rules will spur urgent action.

BY VIRGINIA GEWIN • MARCH 5, 2024





# **AB 32 (Núñez, 2006): The Global Warming Solutions Act**

- Established the 2020 target of achieving 1990-level emissions
- Identified that low-income communities and communities of color need special attention:
  - Established the Environmental Justice Advisory Committee (EJAC)
  - Requires outreach in EJ communities before adopting plans and regulations
  - Requires CARB to ensure the regulations do not disproportionately impact those communities
  - Requires CARB to complement the state's efforts to achieve and maintain health protective air quality standards and to reduce toxic air contaminants
- AB 32 also requires certain standards for all CA climate programs:
  - Maximum technologically feasible and cost-effective reductions
  - Complementary to other strategies
  - Non-duplicative of other efforts
  - Reductions must be real, permanent, quantifiable, verifiable, and enforceable



# What is Cap-and-Trade?

Declared by CARB to be a tool to tackle the hard to achieve emissions – to cost effectively generate emission reductions when it was unclear what technological solutions would be available to different sectors

As implemented, Cap-and-Trade is the ***only*** greenhouse gas control measure for stationary sources like refineries and oil and gas production.

**These sources are predominantly located in low-income communities and Black, Indigenous, and People of Color communities – *and have not seen the level of reductions versus if CARB had pursued more direct emissions controls.***



# AB 32 Environmental Justice Advisory Committee

- ★ When the program was proposed, the EJAC and advocates raised concerns that the program as implemented would not sufficiently reduce emissions, and risks increasing emissions in EJ communities.
  - The ability to trade or purchase credits at a fraction of the cost of direct emissions reductions fails to create sufficient incentive; those facilities will continue to produce greenhouse gases and harmful pollutants detrimental to public health.
- ★ Members of the AB 32 EJAC successfully sued CARB for failing to comply with the California Environmental Quality Act's requirements to analyze and adopt feasible alternatives.
  - While CARB improved its alternatives, it *has not* improved the stringency of cap-and-trade.
- ★ 2020s: continued engagement + [2024 Resolution](#)
  - largely dismissed by CARB leadership



Figure 4. Trends in California GHG Emissions.

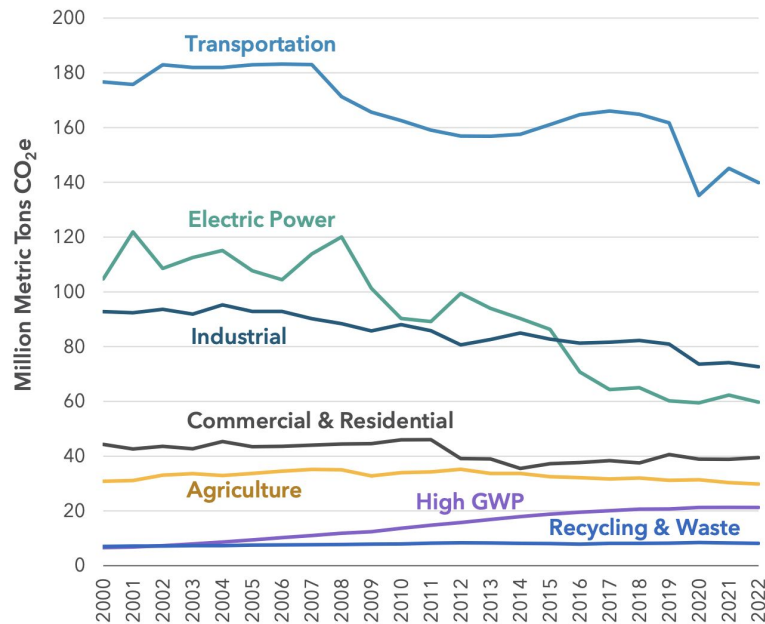
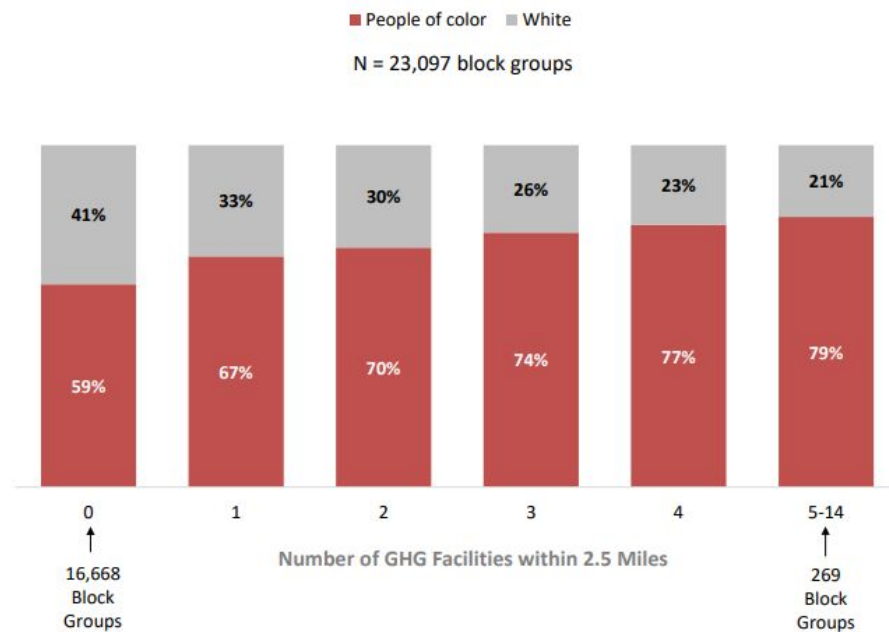


Figure 4 shows changes in emissions by Scoping Plan sector between 2000 and 2022.

Figure 9. Racial Composition of Neighborhoods by Number of Nearby Facilities



Source: Pastor et al, "Up in the Air: Revisiting Equity Dimensions of California's Cap-and-Trade System"



# Subsequent Legislative Action

Two linked bills in 2016 clearly reinforced the Legislature's desire to reduce emissions while maximizing co-benefits to EJ communities:

- AB 197 (E. Garcia, 2016) - established Joint Legislative Committee on Climate Change Policies and directed CARB to prioritize direct emissions measures
- SB 32 (Pavley, 2016) - established 2030 emissions target



# AB 398 (E. Garcia, 2017)

- Authorized carbon markets until 2030, with the following conditions:
  - Limited offset use and banking
  - Price controls
  - Set “industry assistance factor” at 100% for all industries, regardless of leakage risk
  - Regular reports to the Legislature
  - Created the Independent Emissions Market Advisory Committee
- *Linked to AB 617 (C. Garcia, 2017), much delayed and partial EJ consultation, resulting in a program with significant defects.*



# CAP-AND-TRADE STAKEHOLDERS

## 10 Recommendations to Fight Climate Change in California Effectively, Equitably, and Efficiently

Latham & Watkins LLP / Alpha Inception LLC  
April 28, 2017  
Confidential Draft For Discussion Purposes Only

### RECOMMENDATIONS 3 & 4

#### 3. Create a Community Focused Monitoring and Control Program to Address Toxic/Criteria Pollutant Hotspots

- Authorize each air district to establish a community advisory board and with them develop community monitoring screening plans to identify hotspots
- Based on the community monitoring results – establish monitor(s) for the hotspots for regulatory action
- Districts shall establish an action plan to remedy the hotspot – including direct controls, incentives or buy-back, etc.

#### 4. Investments in Disadvantaged Communities

- Create a Disadvantaged Community Investment Fund to finance projects resulting in reductions of criteria pollutants and air toxics at hotspots in disadvantaged communities
- By 2030, the Fund would receive at least \$600 million in new revenue from the sale of 40 million allowances over 10 years





*“We now know that we are not on a line that’s going to meet the 2030 target, much less the 2045 goal of carbon neutrality. And so we’re going to have to step back and take a serious look at the role that Cap-and-Trade, and other measures, play in getting us to that point.”*

Chair Mary Nichols, Dec. 13 2018 CARB hearing