

State of California
Environment Protection Agency
AIR RESOURCES BOARD

Notice of Decision

- Project Title:** Amendments to California Cap on Greenhouse Emissions and Market-Based Compliance Mechanisms (SCH# 2010102056)
- Project Location:** Statewide
- Public Meeting Date:** April 25, 2014; Agenda Item #14-3-3.
- Project Description:** The purpose of these amendments is to enhance implementation and oversight of the Cap-and-Trade Program (Regulation). Amendments to the Regulation will: provide allowance allocation for additional sectors and modify allocation for existing sectors based on new information, implement additional cost containment mechanisms, define new covered entities and exempt sectors where direct regulation best meets the goals of AB 32, exempt certain covered entities' emissions from incurring a compliance obligation under the Program, provide additional clarity on the prohibition against resource shuffling in the electricity sector, provide better coordination of the regulation with other state renewable electricity requirements, include a new offset protocol and clarify and add processes for implementation of the compliance offset program, provide modifications to market rules for auctions and transfers in the tracking system, and include additional provisions to enhance market security.

This notice is to advise that the California Air Resources Board (ARB or Board), as the lead agency, approved the above regulatory action on April 25, 2014.

ARB prepared two separate environmental analyses (EA), in accordance with the requirements of its certified regulatory program under the California Environmental Quality Act (CEQA). (Cal. Code Regs., tit. 14, §15251, subd, (d)). The EA, included as Chapter III in the Staff Report prepared for the proposed Amendments, concluded that implementation of the modifications to the Regulation with the proposed Amendments would not result in any new significant adverse impacts or an increase in the severity of any significant impacts on the environment than previously identified in the *Functional Equivalent Document prepared for the California Cap on GHG Emissions and Market-Based Compliance Mechanisms* certified when the Regulations was adopted in 2001.

The EA, included as Appendix A for the Staff Report prepared for the Compliance Offset Protocol Mine Methane Capture (MMC Protocol), concluded that implementation of projects under the Protocol may result in significant adverse environmental impacts to biological resources and cultural resources due to landscape disturbance required for construction of facilities and infrastructure.

Because the two potential adverse impacts identified in the programmatic level EA are potential indirect impacts associated with the compliance responses of offset project operators, the authority to determine site- or project-specific mitigation is within the purview of jurisdictions with local permitting authority, such as state or local governments and local air districts and ARB does not have the ability to determine with any specificity the project level impacts, nor the authority to require project-level mitigation in approving the MMC Protocol. Therefore, mitigation measures were not made a condition of approval. The Board made CEQA findings and adopted a statement of overriding considerations for this regulatory action.

Staff prepared written responses to comments received during the 45-day and 15-day comment periods that raised significant environmental issues pertaining to this item. The written responses to these environmental comments are included in the *Response to Comments on the Environmental Assessment Prepared for the Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market Based Compliance Mechanisms*. Before taking final action, the Board considered and approved written responses to these comments as required by ARB's certified regulations. (Cal. Code Regs., tit. 17. § 60007(a).)

The EAs included in the Staff Reports, and all other related documents, including the *Response to Comments on the Environmental Assessment Prepared for the Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market Based Compliance Mechanisms* are available for public inspection on the ARB rulemaking webpage at: <http://www.arb.ca.gov/regact/2013/capandtrade13/capandtrade13.htm>

These documents may also be examined at:

California Air Resources Board
Attn: Board Administration and Regulatory Coordination Unit
1001 I Street
Sacramento, CA 95814

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Resources Agency of California

Certified: 
ARB CEQA Unit

Date: 14 May 2014