

APPENDIX A

STAFF REPORT: INITIAL STATEMENT OF REASONS

**Proposed Amendments to the California Cap on Greenhouse Gas Emissions and
Market-Based Compliance Mechanisms Regulation**

Proposed Regulation Order

State of California

AIR RESOURCES BOARD

Release Date: January 30, 2018

PROPOSED REGULATION ORDER
CALIFORNIA CAP ON GREENHOUSE GAS EMISSIONS AND MARKET-BASED
COMPLIANCE MECHANISMS REGULATION

Amend Subchapter 10 Climate Change, Article 5, sections 95835 and 95911, title 17, California Code of Regulations, to read as follows:

Article 5: California Cap on Greenhouse Gas Emissions and Market-Based Compliance
Mechanisms

Note: The pre-existing regulation text is set forth below in normal type. The proposed amendments are shown in underline to indicate additions and ~~striketrough~~ to indicate deletions. "****" indicates that sections of regulation not printed are not changed.

§ 95835. Changes to Entity Type and Reassignment of Facilities Already Registered to Different Entity Accounts.

(b) Change of Facility Ownership. When the ownership of a facility changes, whether by merger, acquisition, or any other means, the successor entity after the change in ownership is expressly liable for the unsurrendered compliance obligation of the predecessor covered entity that is party to the change in ownership transaction. For the avoidance of doubt, the unsurrendered compliance obligation of the predecessor covered entity consists of the quantity of verified reported emissions, assigned emissions, and emissions that have been released from the subject facility but not reported yet for which the covered entity would be required to submit compliance instruments to CARB absent the change of ownership, but that the covered entity has not surrendered to CARB at the time of the change of ownership. Subarticle 7 compliance requirements are interpreted and enforced in light of the successor entity being expressly liable for the unsurrendered compliance obligation of the predecessor covered entity. When the ownership of a facility changes, the following information must be submitted to CARB within 30 calendar days of finalization of the ownership change:

NOTE: Authority cited: Sections 38510, 38560, 38562, 38570, 38571, 38580, 39600 and 39601, Health and Safety Code. Reference: Sections 38530, 38560.5, 38564, 38565, 38570 and 39600, Health and Safety Code.

§ 95911. Format for Auction of California GHG Allowances.

(c) Method for Setting the Auction Reserve Price.

(3) The Auction Administrator will calculate the Auction Reserve Price using the following procedure:

(D) The Auction Reserve Price in Canadian dollars shall be the highest of the minimum prices set and published in Canadian dollars in any jurisdiction operating an External GHG ETS to which California has linked pursuant to subarticle 12. ~~Canadian dollar Auction Reserve Price for the previous calendar year increased annually by 5 percent plus adjusted in the manner provided for in section 83.3 of the Financial Administration Act (R.S.Q., c. A-6.001) of Quebec.~~

NOTE: Authority cited: Sections 38510, 38560, 38562, 38570, 38571, 38580, 39600 and 39601, Health and Safety Code. Reference: Sections 38530, 38560.5, 38564, 38565, 38570 and 39600, Health and Safety Code.