



Linkage Process & Requirements for Potential Linked Partners

April 28, 2016

Workshop Materials and Submitting Comments

- ❑ This presentation is posted at:
<http://www.arb.ca.gov/cc/capandtrade/meetings/meetings.htm>
- ❑ The presentation webcast is available at:
<http://www.calepa.ca.gov/broadcast/?BDO=1>
- ❑ Written comments may be submitted until 5 pm (Pacific) on Friday, May 13, 2016, at:
<http://www.arb.ca.gov/cc/capandtrade/meetings/meetings.htm>
- ❑ During this workshop, e-mail questions to:
auditorium@calepa.ca.gov

Workshop Agenda

- ❑ Introduction
- ❑ What is Linkage?
- ❑ SB 1018 Requirements
- ❑ Process taken for Québec
- ❑ Presentation: Overview of Ontario's Proposed Program

Lunch

- ❑ Presentation: Linkage Process and Requirements for Sector-Based Crediting Programs, including Acre, Brazil
- ❑ Presentation: Discussion on Social and Environmental Safeguard Requirements for Sector-Based Crediting Programs
- ❑ Opportunity for EJAC Member Comments and Discussion on Topics Presented throughout the Day

Adjourn

What is Linkage?

- ❑ In the context of the California Cap-and-Trade Program, linkage refers to the process of approving compliance instruments issued by another jurisdiction's climate program (e.g., an emissions trading system) to be eligible for use by entities to meet compliance obligations under California's program
- ❑ Current linkage
 - ❑ Instruments from another ETS can be used in California and where California instruments can be used in the other ETS
 - ❑ Ex., Québec
- ❑ Potential linkage to Sector-Based Offset Programs
 - ❑ Instruments from an approved sector-based offset program can be used in California, but California instruments would not be used in the sector-based offset program
 - ❑ Ex., Acre, Brazil

What is Linkage?

- ❑ AB 32 (section 38564) states that ARB shall facilitate development of integrated and cost-effective international GHG reduction programs
- ❑ California's Cap-and-Trade Program contemplates ETS linkage through subarticle 12 and sector-based crediting program linkage through subarticle 14
- ❑ Only linkage approved to date: Québec
- ❑ Legislature passed additional requirements in 2012 that must be met prior to the Board approving any linkage
 - ❑ Senate Bill 1018 (specifically Government Code section 12894(e)-(g))

SB 1018 Requirements

- ❑ Linkage defined (Gov. Code section 12894(e))

For purposes of this section, “link,” “linkage,” or “linking” means an action taken by the State Air Resources Board or any other state agency that will result in acceptance by the State of California of compliance instruments issued by any other governmental agency, including any state, province, or country, for purposes of demonstrating compliance with the market-based compliance mechanism established pursuant to Division 25.5 (commencing with Section 38500) of the Health and Safety Code and specified in Sections 95801 to 96022, inclusive, of Title 17 of the California Code of Regulations.

SB 1018 Requirements

- ❑ Gov. Code section 12894(f)
 - ❑ Prior to approving any linkage:
 - ❑ ARB would have to notify the Governor that it intends to take such action, and
 - ❑ The Governor must make all of the following findings:
 - 1) Partner Jurisdiction has adopted program requirements for GHG reductions and offset credits which are equivalent to or stricter than California's
 - 2) California has continued ability to enforce its laws and regulations
 - 3) Partner Jurisdiction has ability to enforce its laws and regulations, and enforcement requirements are equivalent to or stricter than California's enforcement requirements
 - 4) Proposed linkage does not impose any significant liability on California for any failure associated with the linkage

SB 1018 Requirements

- ❑ Gov. Code section 12894(g):
 - ❑ After receiving notification from ARB of the proposed linkage, the governor would have 45 days to issue findings
 - ❑ In making the findings, the Governor would have to consider advice of the Attorney General
 - ❑ The Governor would have to submit the findings to the Legislature

SB 1018 Process to Propose Linkage

- ❑ Review potential partner jurisdiction's program (or proposed program if not yet adopted)
- ❑ Assess partner jurisdiction program against SB 1018 requirements
 - ❑ Stringency of GHG reduction requirement
 - ❑ Monitoring, Reporting, and Verification
 - ❑ Accuracy requirement
 - ❑ Program coverage (i.e., who is regulated)
 - ❑ Market/trading rules (if an ETS)
 - ❑ Offset provisions and requirements
 - ❑ Enforcement mechanisms within potential partner jurisdiction
- ❑ Develop recommendations and notification package to send to Governor

Process Taken for Québec

- ❑ Discussions with Québec through Western Climate Initiative policy and technical meetings
- ❑ Assessment of Québec's program requirements
 - ❑ Emission reduction goals – 20% below 1990 by 2020 (more strict than California)
 - ❑ Cap-and-Trade Rules and Requirements (similarly structured)
 - ❑ Reporting and Verification Requirements (similarly structured)
 - ❑ Enforcement (similar to California)

Process Taken for Québec

- ❑ Assessment as part of rulemaking documents of economic and environmental impacts linkage would have on California's program
- ❑ Assessment of public comments regarding proposed linkage
- ❑ Submittal of notification letter to Governor, background materials, and staff assessment of SB 1018 requirements
- ❑ Documentation is available here:

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

Linkage Process Outline

- ❑ Step 1: Discussions with Potential Partner to understand programs
- ❑ Step 2: Public Workshops and Technical Meetings
- ❑ Step 3: Regulatory text development and Development of Initial Statement of Reasons (staff report for regulation)
- ❑ Step 4: Notice of Regulatory Amendments (public comment period of at least 45-days)
- ❑ Step 5: First Board Hearing
- ❑ Step 6: Request for Governor to make specific findings on linkage
- ❑ Step 7: 15-day changes if needed
- ❑ Step 8: Governor provides linkage findings
- ❑ Step 9: Final Board Vote
- ❑ Step 10: Final Statement of Reasons and Submittal to Office of Administrative Law

Next Steps

- ❑ Public Workshop on Leakage May 18, 2016
- ❑ Rulemaking Schedule
 - ❑ July 2016: Public Notice of Draft Regulation
 - ❑ September 2016: First Board Hearing to Consider Approving Draft Regulation
 - ❑ Potential 15-Day Revisions
 - ❑ Spring 2017: Second Board Hearing to Vote on Approving Regulatory Amendments
 - ❑ Summer 2017: Response to Comments, Final Statement of Reasons, Submittal of Final Regulation Documents to Office of Administrative Law
 - ❑ October 2017: Regulatory Amendments become effective (some would be specified to become applicable starting January 1, 2018)

Questions?