California Environmental Quality Act
Scoping Meeting
for the
Proposed Cap-and-Trade Regulation
August 23, 2010
California Air Resources Board

Introduction
Overview of Functionally Equivalent Document (FED)
– Framework for FED
– Scope of Environmental Impact Analyses
– Invite stakeholder discussion and feedback
  • Stakeholders are asked to provide written comments
    specific to the development for the FED to ARB by
    September 10, 2010
    (http://www.arb.ca.gov/cc/capandtrade/comments.htm)
Cap & Trade Project Description

• Program establishes a limit on covered emissions starting in 2012
• Emission reductions are required as the limit declines over time
• Program starts in 2012 by covering large industrial sources and electricity delivered to California grid
• Program expands in 2015 to cover emissions from transportation fuels, natural gas and propane
• Trading and offsets provide compliance flexibility to covered sources

How Does the Program Work?

• Sources in the program must surrender ‘compliance instruments’ to match emissions
  – Supply of compliance instruments declines over time
• Compliance instruments include:
  – Tradable permits (‘allowances’) issued by California equal to the annual emissions limit
  – Offsets issued by California
  – Allowances and offsets from linked programs, e.g., Western Climate Initiative
• Compliance instruments can be traded
  – Those with lowest cost reduction opportunities can reduce emissions and sell credits to those who need them
What are Offset Credits?

- Offset credits are issued for verified emission reductions from sources outside of the cap-and-trade program
- All offsets must meet high quality standards
  - Real, additional, quantifiable, permanent, verifiable and enforceable
- Limited use of offsets
- Protocols being considered have geographic limit of United States

Linkage to WCI

- California working with Western Climate Initiative to develop regional program
- WCI released its detailed program design document in July 2010
- Linkage to WCI partner programs will have to be approved by Board
  - The regulation will be amended to include linkage to programs once they are established
- Potential to include linkage language in the cap-and-trade regulation in 2011
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Framework for FED
• Based on Project Description (proposed regulation)
• Utilize 2010 CEQA Environmental Checklist
• Programmatic
• FED to include
  – Direct and Indirect Impacts
  – Cumulative Impacts
  – Alternatives

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Basis for Environmental Analysis
• Cap-and-Trade Regulation (Program) FED
  – Compliance Responses
    • Covered Entities
    • Covered Sectors
    • Program Design Features
  – Compliance Responses in Potential Offset Program
    • Livestock Digester
    • Ozone Depleting Substances
    • Urban Forests
    • Forest Projects
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Existing Conditions
• Baseline
  – Measures already in effect, plus
  – Reasonably foreseeable actions
• Impact Analysis
  – 2010 data, projected to 2020 with project, and
  – 2010 data, projected to 2020 without project

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Alternatives Analysis
• No Project
• Cap-and-Trade and Offset Design Options
• Command & Control Regulations Only
• Carbon Fee
• Cap-and-Trade Linked with a Federal Cap-and-Trade Program
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FED TEAM
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We want your input!
• Please be specific to the environmental analysis, and
• Please provide written comments to ARB by September 10, 2010.
http://www.arb.ca.gov/cc/capandtrade/comments.htm