

Discussion Workshop for Cap-and-Trade Regulation 2016 Amendments

Cost Containment and Market Data Publication

California Air Resources Board
October 2, 2015

Workshop Materials and Submitting Comments

- This presentation is posted at:
<http://www.arb.ca.gov/cc/capandtrade/meetings/meetings.htm>
- Written comments may be submitted until 5 pm (PDT) on Monday, October 19, 2015 :
http://www.arb.ca.gov/lispub/comm2/bcsubform.php?listname=ct2016amendments-ws&comm_period=1
During this workshop, e-mail questions to:
auditorium@calepa.ca.gov

Existing Cost Containment

- Multi-year compliance periods
- Ability to bank compliance instruments
- Allowance Price Containment Reserve
- Limited use of offset credits

Allowance Price Containment Reserve (APCR)

- Reserve filled with allowances from each annual budget
- Reserve size equal to 4% of budgets through 2020
- All APCR allowances available for purchase from the start of the program
- Three price tiers with escalation mechanism

Reserve Modifications Adopted in 2014

- Adding to the Reserve
 - If the Reserve is depleted, then allowances from future vintage years may be purchased at the higher Reserve Tier Price
 - Limited to 10% of each future annual budget, excluding allowances already placed in the Reserve
- Sales of future vintage allowances would reduce allowances in future budget years
- Amount available to add to the Reserve depends on post-2020 cap design

Different Cost Containment Options

- Emissions Market Advisory Committee (EMAC)
 - Link:
<http://www.arb.ca.gov/cc/capandtrade/emissionsmarketassessment/priceceiling.pdf>.
- Market Simulation Group (MSG)
 - Link:
http://www.arb.ca.gov/cc/capandtrade/simulationgroup/msg_final_v25.pdf.
- Nicholas Institute 2010 Proposal
 - Link:
http://www.arb.ca.gov/cc/capandtrade/meetings/062210/allowance_price_containment_profeta.pdf

EMAC and MSG Papers

- EMAC
 - Allowance Price Ceiling
 - Information Release – Market Transparency
- MSG
 - APCR design

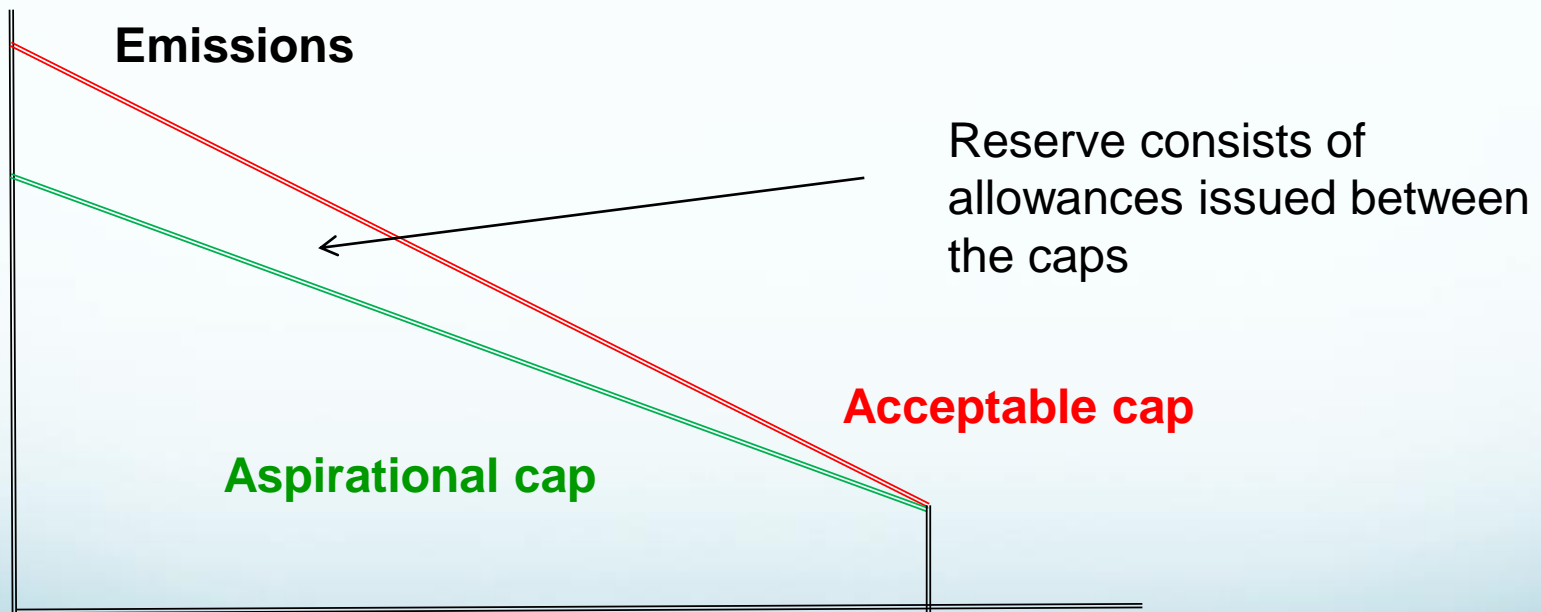
Nicholas Institute 2010

“Double Cap”

- Set Cap as limit achievable through known technology
- Set lower Cap as limit achievable with expected level of technology
- Use lower cap to allocate allowances to market
- Allowances issued above the lower cap go to a Reserve

Graphical Depiction of Nicholas Institute Double Cap

(Source: Tim Profeta, Nicholas Institute, June 22, 2010)



Considerations for post-2020 Cost Containment

- Staff seeking stakeholder input:
 - Design
 - Size
 - Price(s)

Publication of Market Data

- ARB is currently posting
 - Retirements by entity, including offset details
 - Market-level account balances by vintage and compliance instrument type
 - Registered entities and qualified auction bidders
 - Reported emissions by entity
- Regulation requires publication of transfer price and quantity of compliance instruments
 - Staff evaluating how and at what level of detail to publish transfer prices and quantities
- Staff requesting suggestions for posting additional data

For Consideration

Modified EMAC Positions Data Release

- EMAC proposal of publishing positions, not holdings
 - Calculating position removes some entity size information
 - Can also aggregate entities by ranges of position to further mask identities
- The calculation of current positions would require the use of estimated emissions
 - Reliance on estimated emissions may complicate interpretation
 - E.g., an entity could appear long if was experiencing emissions growth
 - Link to EMAC Paper:
<http://www.arb.ca.gov/cc/capandtrade/emissionsmarketassessment/informationrelease.pdf>.

Additional Information

- California Cap-and-Trade Program webpage:
[http://www.arb.ca.gov/cc/capandtrade/capandtrade
.htm](http://www.arb.ca.gov/cc/capandtrade/capandtrade.htm)