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/bcsoutform.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](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](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](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)

Aspirational cap

Acceptable cap

Reserve consists of allowances issued between the caps

Emissions

Aspirational cap

Acceptable cap
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

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)