

# Regional and Linkage Considerations

*December 14, 2015*

# Climate Policy Overview

- California economy-wide cap-and-trade program ensures state achieves the AB 32 2020 statewide target of 1990 level and staff preferred policy to achieve 40 percent below 1990 levels by 2030
- US EPA Clean Power Plan goal is to reduce power sector emissions by 32 percent below 2005 levels by 2030

# California Linkage Status

- Today, Western Climate Initiative (WCI) regional market includes linked California and Québec programs
- April 2015, Ontario announces plans to implement an economy-wide carbon market to link with WCI linked market
- December 2015, Manitoba announces plans to implement an economy-wide carbon market to link with WCI linked market

# Considerations for California

- Evaluate the potential to use the Cap-and-Trade Program to pursue State Measures approach for CPP
- Implications for a WCI linked carbon market
- Different program scopes
- Structural program differences

# Clean Power Plan Regional Options and Constraints

- Regional linkages and trading choices may affect both plan approval demonstration and plan operations. See, e.g., 80 Fed. Reg. at 64,893, and 40 CFR 60.5740(a)(3)
- Many possible regional options available, including:
  - Links between EGU-only plans (including via “trading-ready” plans)
  - Links between EGU-only and “broader coverage” markets
  - Links between multiple plans with broader coverage
- For demonstrations: US EPA has indicated an interest in evaluating linkage effects on EGU emissions. (80 Fed. Reg. at 64,893)

# Clean Power Plan Import/Export Accounting

- The CPP import/export accounting for links between a broader market and a CPP EGU-only market is described at 80 Fed. Reg. at 64,894. (See also 40 C.F.R. 60.5740). Under this framework, at the end of a CPP compliance period:
  - Net allowance imports from EGUs in an EGU-only market are subtracted from reported CO<sub>2</sub> emissions in the importing state (the state with a broader market)
  - Net allowance exports from EGUs in the broader market state are added to reported CO<sub>2</sub> emissions in the exporting state (the state with the broader market)
- These adjustments are reflected in compliance reports and may trigger backstop obligations

# Clean Power Plan Issues for Further Exploration

- The CPP is less clear about accounting frameworks and demonstrations to be used for allowance flows between entities which both have economy-wide markets
  - Stakeholder feedback on this point is welcome
- Staff also seeks stakeholder feedback on ways the CPP import/export accounting framework may affect the current California/Québec carbon market, and any potential future linkages, including with CPP EGU-only markets

# Questions and Comments

- Comment webpage available at:  
[http://www.arb.ca.gov/lispub/comm2/bcsubform.php?listname=capandtradecpplan-ws&comm\\_period=1](http://www.arb.ca.gov/lispub/comm2/bcsubform.php?listname=capandtradecpplan-ws&comm_period=1)