

Air Resources Board AB 32 Scoping Plan Program Design Technical Stakeholder Working Group Meeting

**February 6, 2008
1:00 p.m. to 5:00 p.m.**

**Sierra Hearing Room
2nd floor of the Cal/EPA Headquarters Building
1001 "I" Street in Sacramento, California**

Note: The Sierra Hearing Room at the Cal EPA Headquarters Building has limited seating. The meeting will be webcast (<http://www.calepa.ca.gov/broadcast/>) and open to real-time questions via email (ccplan@arb.ca.gov).

AGENDA

- Opening remarks (15 minutes)
- Overview of meeting goals, analytic approach, and policy scenarios (15 minutes)
- Stakeholder discussion
 - Analytic approach
 - Policy scenarios
- Meeting wrap-up

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Meeting Goals

To evaluate options for implementing AB 32, Air Resources Board (ARB) staff will be analyzing policy scenarios to determine the economic and other impacts, of a wide range of regulatory strategies. The economic modeling component of the analysis will use the Energy 2020 multi-sector model and the E-DRAM macroeconomic model. In addition to this economic modeling, other analyses are being designed to assess impacts on other pollutants, public health, and other considerations as called for in AB 32, including environmental justice.

At the upcoming April 4 Scoping Plan workshop, staff will present the initial economic modeling results for a small number of policy scenarios, along with the plans for conducting the other required evaluations.

The goals of the stakeholder meeting on February 6 are to:

- **Explain the general approach to developing and analyzing policy scenarios**
- **Present the initial list of scenarios being considered for analysis**
- **Receive feedback from interested parties on staff's overall approach and on the scenarios being considered for the initial modeling runs**

Core Measures

Staff's approach to developing the scenarios includes defining a set of "core" measures that would be implemented under all scenarios. The scenarios would include a variety of program elements to be employed, in addition to these core measures, in order to achieve the 2020 target.

The core measures proposed as part of all scenarios in the initial modeling effort include the following:

- Greenhouse gas tailpipe emission standards
- Low carbon fuel standard
- Continued energy efficiency beyond current programs
- 20 percent renewable portfolio standard
- Discrete early actions adopted by the Board in 2007
- Reductions in vehicle miles traveled
- Controls on high global-warming-potential (GWP) gases

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As the analytic work for the Scoping Plan develops, staff will evaluate varying degrees of implementation aggressiveness for these core measures. **Input from stakeholders will be welcome on whether any additional programs or policies should be included in this core set.**

Scenarios for Preliminary Modeling

Staff's proposed scenarios for modeling prior to the April 4 workshop are listed below. In each of these scenarios the various program elements would be implemented, in addition to the above group of core measures. The five scenarios staff are considering for the initial model runs are:

- Additional direct regulations
- Three cap and trade scenarios, which range from narrow to broad
 - A cap-and-trade program that includes all large stationary industrial and commercial sources, including electricity generators
 - A cap-and-trade program with trading regionally or nationally that includes all large stationary industrial and commercial sources, including electricity generators
 - A cap-and-trade program with trading regionally or nationally that includes all large stationary industrial and commercial sources, including electricity generators and transportation fuels
- A carbon fee applied to fuels throughout the California economy at the distribution level

Modeling the cap-and-trade scenarios will require assumptions about several key program design elements, including the quantity of emissions allowed under the cap-and-trade program, and the manner in which allowances are distributed. The level at which the cap is set will depend on the portion of the overall emission reductions that are expected to come from the sectors included the cap-and-trade program. Staff is developing a cap level for the initial runs that is consistent with an overall program consisting of the core measures and the cap-and-trade program.

For these initial modeling runs, staff is planning to assume full auctioning of allowances within the cap-and-trade program. Staff also proposes to evaluate some method of free allocation for at least one of the cap-and-trade scenarios presented at the April 4 workshop. A richer set of options will be analyzed during the development of the Scoping Plan.

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These proposed scenarios do not include the use of offsets as a possible policy tool. Evaluating the potential role of offsets is a high priority for the modeling work, but cannot be incorporated until after completion of the modeling of these initial scenarios.

Future Stakeholder Meetings and Comments

Future program design stakeholder meetings will provide opportunities to discuss program design issues, particularly those related to a cap-and-trade system. The next two program design stakeholder meetings are scheduled for February 29 and March 17. A list of the planned meetings and expected topics for both the program design stakeholder group, and the economic analysis stakeholder group, will be published shortly.

The April 4 workshop will provide stakeholders a more in-depth understanding of the analytic work being conducted and an opportunity to review preliminary results. Stakeholder input on how to structure the preliminary analysis to make the April 4 workshop as productive as possible is welcome. In addition to comments at the February 6 stakeholder meeting, parties are invited to provide written comments by February 15. Comments can be directed to the ccplan@arb.ca.gov email address. Final decisions regarding the scenarios to model for the April 4 workshop will be made by staff after consideration of input at the stakeholder meeting and review of written comments.