

***California Cap-and-Trade Program
Preliminary Draft Regulation (PDR)***

**CLIMATE ACTION TEAM
PUBLIC MEETING**

**December 3, 2009
2:00 to 4:00 p.m.**

**Sierra Hearing Room
California Environmental Protection Agency**



Program Goals

- Put major GHG emission sources under a stringent declining cap that supports AB 32 goal
 - Industry, electricity, including imports, transportation and natural gas fuels
- Participate in regional cap-and-trade program (Western Climate Initiative)
- Facilitate reductions from Scoping Plan measures that help meet the cap
- Achieve most GHG reductions from capped sources
- Allow a portion of compliance obligation to come from offsets
- Provide clear rules on trading, tracking, enforcement

Cap-and-Trade Design

- Scope (who's in)
- Annual budget (declining cap defined)
- Emissions reporting and tracking
- Allocation of allowances
 - Free distribution
 - Auction
- Offsets
- Use of allowance value
- Market operation

What's in the PDR and How Is It Structured? [1]

- Key provisions
 - Applicability
 - Annual allowance budgets
 - Allowances and offsets (compliance instruments)
 - Registration and tracking
 - Surrender (compliance) requirements
 - Mechanisms for distributing and auctioning allowances
 - Use of auction proceeds
 - Linkage to other cap-and-trade systems
 - Offset credits
 - Enforcement and penalties

What's in the PDR and How Is It Structured? [2]

- Discussion of concepts and issues
 - Applicability and approaches to emissions reporting
 - Allowance allocation and avoiding leakage
 - Offsets crediting issuance and approval
 - Specific requirements for covered entities
 - Methods for calculating emissions from transportation fuels
 - Market operations
 - Considerations for accounting for potential increases in co-pollutants

Timeframe for Cap-and-Trade Rulemaking

- 1st Public Release: Late November 2009
- 2nd Public Release: Spring 2010
- Final Draft Regulation: Summer 2010
- Board Hearing: October 2010
- First Auction: 2nd half of 2011
- Program Launch: January 1, 2012



Questions?