

CAP-AND-TRADE AND CLIMATE FINANCE IN CALIFORNIA

Danny Cullenward JD, PHD

[CarbonPlan](#) and [Stanford Law School](#)

Vice Chair, [Independent Emissions Market Advisory Committee](#) *

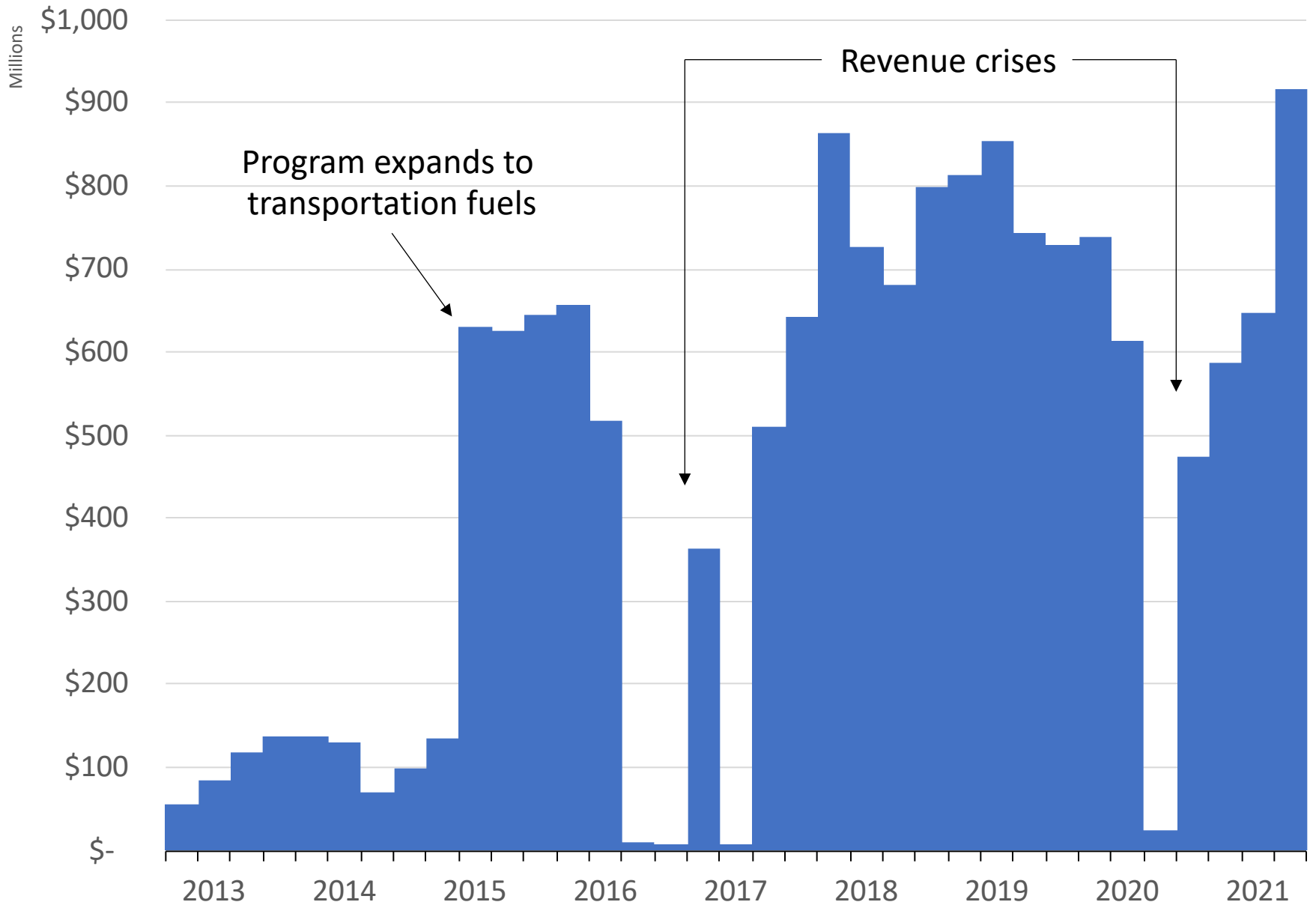
Funding Climate Action – A Bond and Beyond | The Climate Center | June 22, 2021

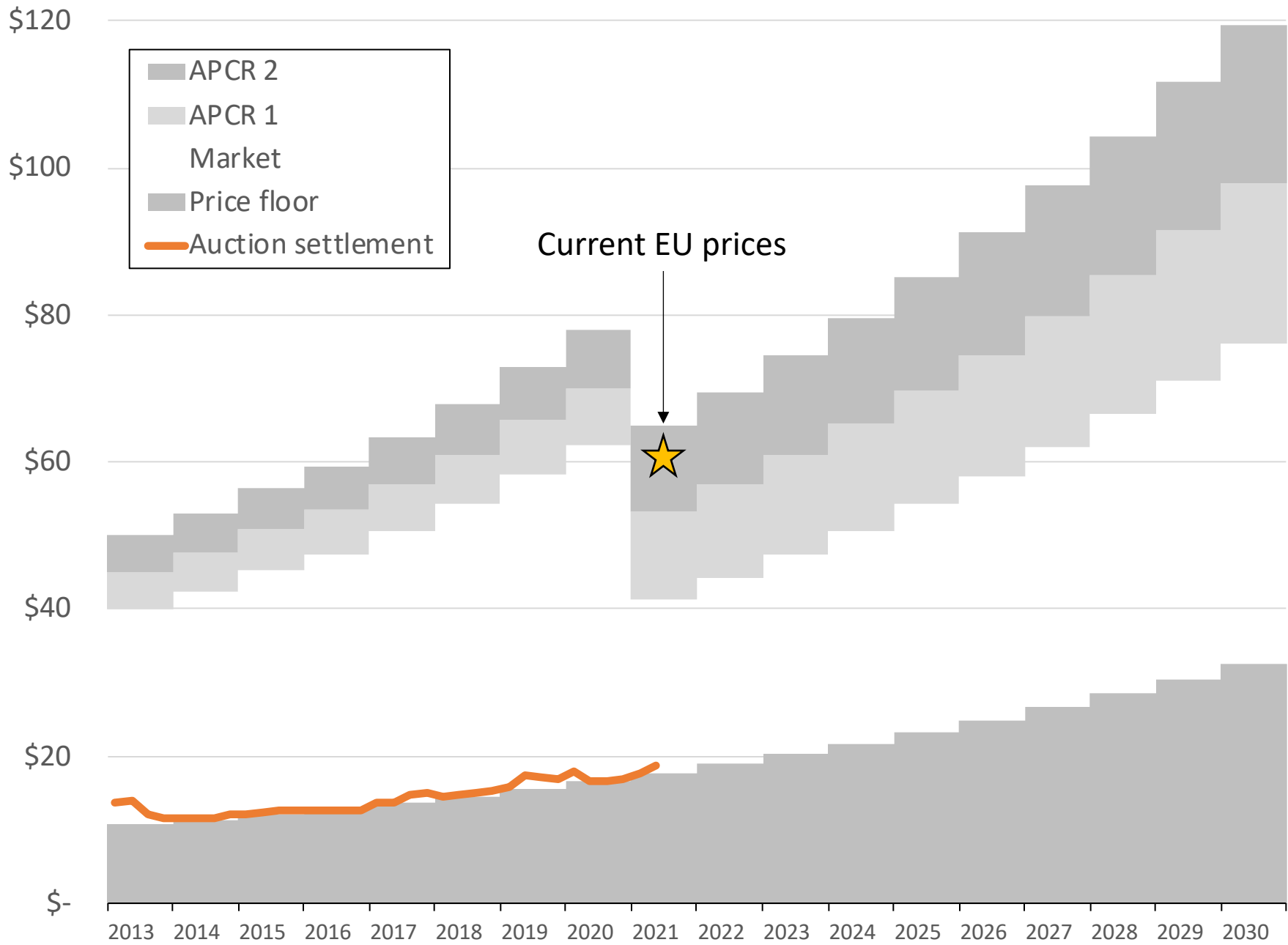
* I am speaking for myself and not on behalf of the IEMAC

CAP-AND-TRADE CONTEXT

- Raised about \$16 billion to date
- Typically raises \$2-3 billion per year (about $\frac{1}{4}$ of current budget discussions)
- About $\frac{2}{3}$ of funds “continuously appropriated” to a wide variety of programs, only some of which are really focused on climate priorities
- Problem #1: excess allowance supplies and low-quality carbon offsets frustrate climate and revenue goals
- Problem #2: periodic auction crises follow from program flaws and make it impossible to finance a bond with auction revenue
- Problem #3: Program spending not well focused on climate goals

Cap-and-trade auction revenue by quarter





CAP-AND-TRADE REFORM OPTIONS

Decide what role cap-and-trade will play in CARB's Scoping Plan

- Stabilize revenues at minimum prices or grow revenues through reforms

Follow the European model of successful reform

- Track excess allowance supplies and adjust market accordingly
- Eliminate carbon offsets

Optimize spending and focus on oversight

- Distinguish between mitigation, adaptation, and non-climate measures

