

# Ambition and affordability

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## DISCLAIMER

- This presentation only reflects my individual views and not those of California's [Independent Emissions Market Advisory Committee](#)

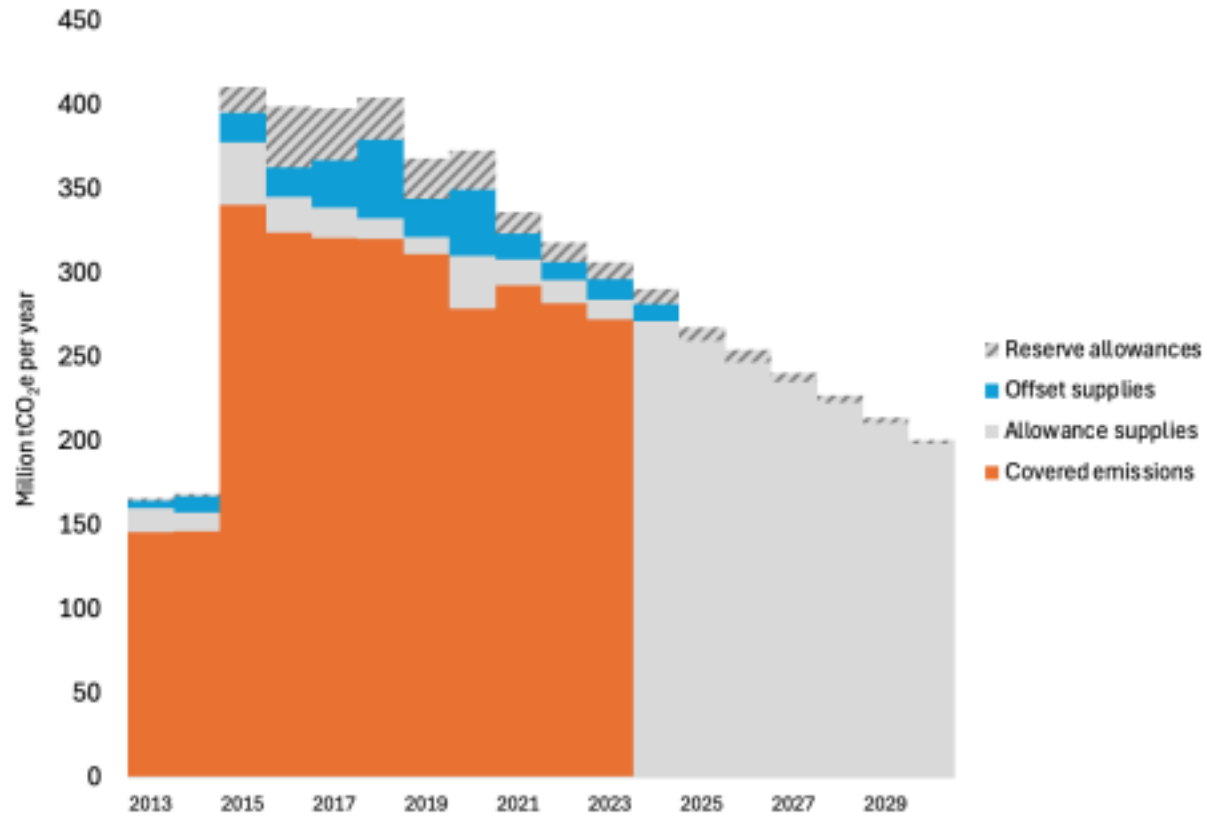
## KEY INSIGHTS

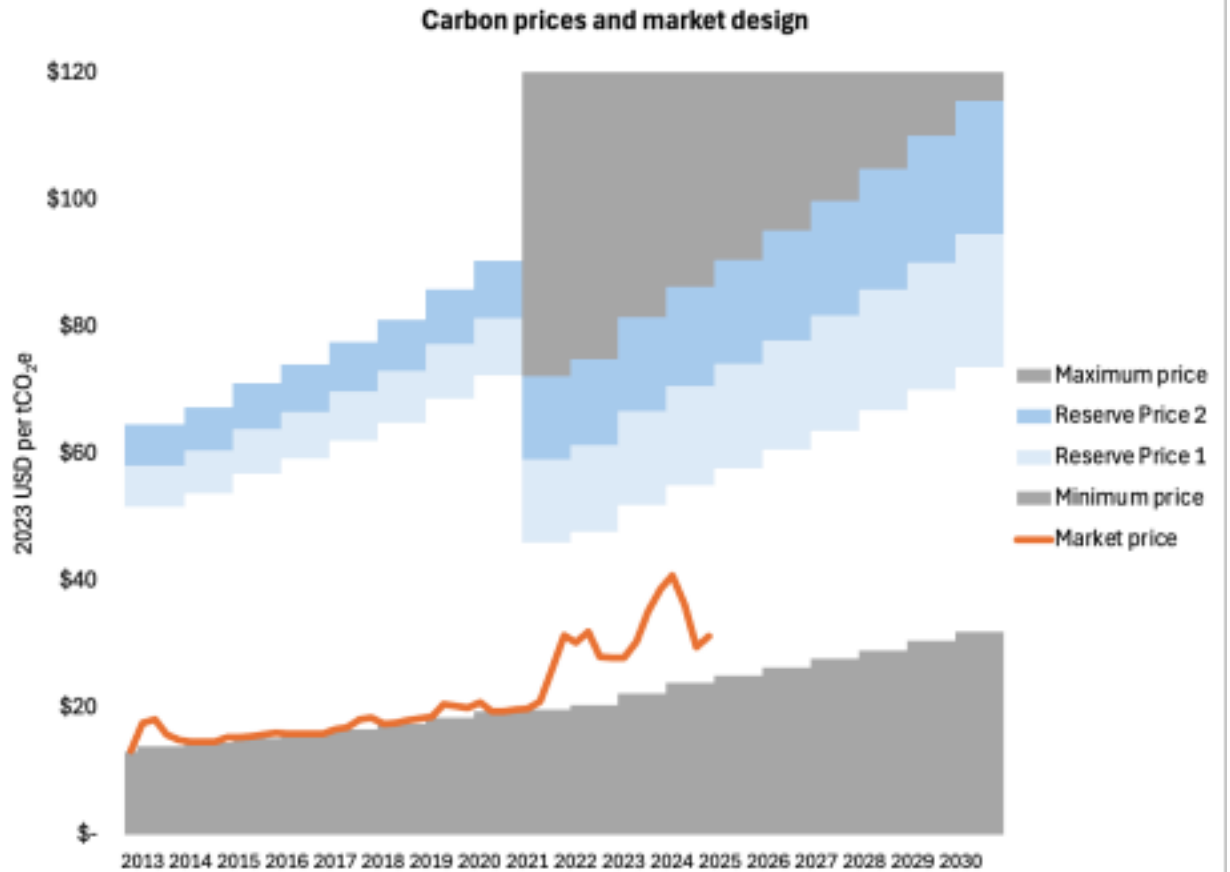
- California designed its cap-and-trade program to produce

low prices • Extending and reforming the program will generate higher prices

- Higher prices lead to higher cost impacts, more GGRF revenue, greater utility rebates, lower emissions — they all move together
- Policymakers need to decide (1) what carbon prices they want to achieve and (2) how they will apportion financial flows across the GGRF, utility rebates, and free allocation to industry

Supply and Demand in California's cap-and-trade program

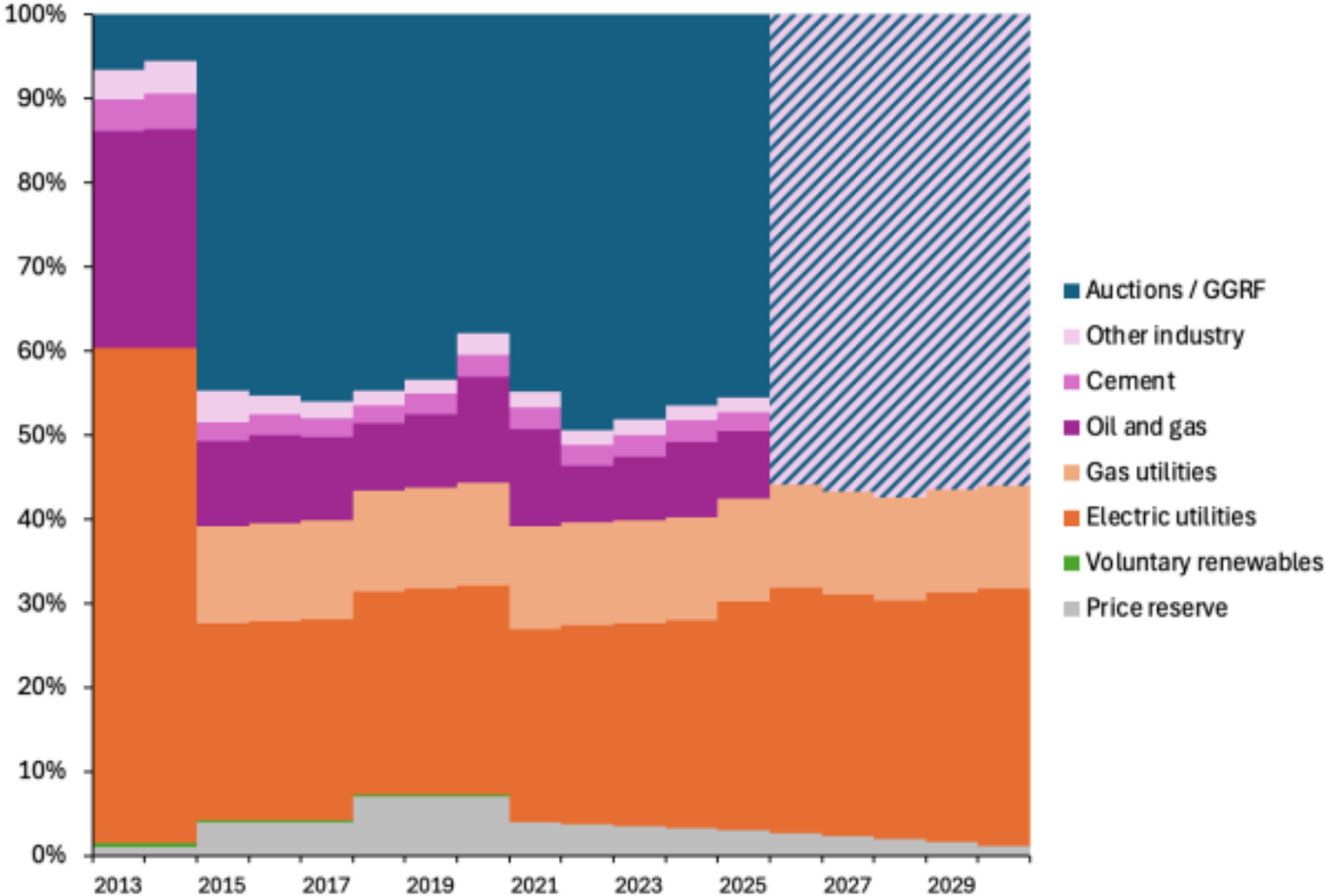




Source: author's calculations, based on CARB

data <sup>4</sup>

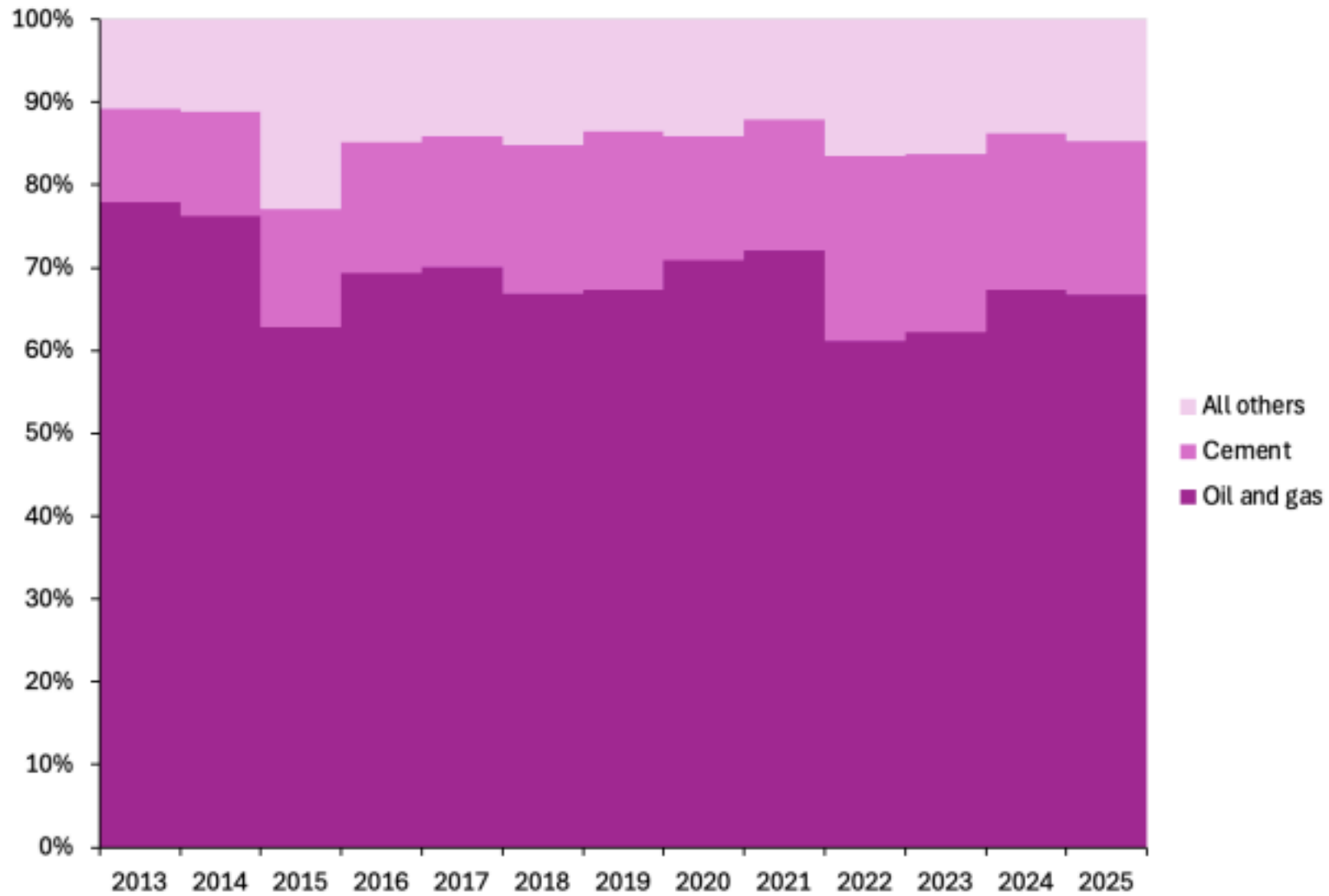
Allowance budget shares



Source: [draft 2024 IEMAC](#)

report<sup>5</sup>

**Industrial allocations by sector**

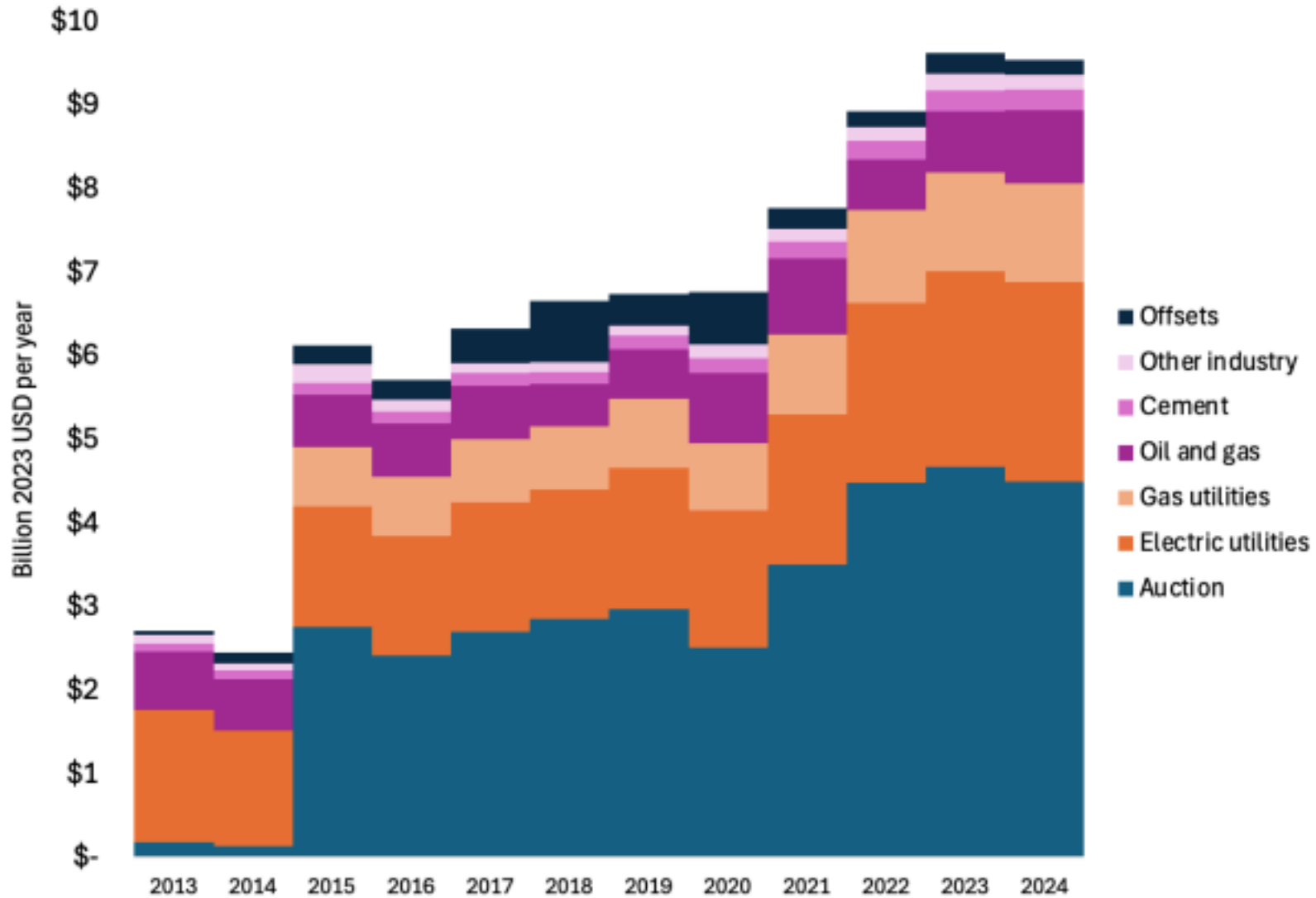


Source: [draft 2024 IEMAC](#)



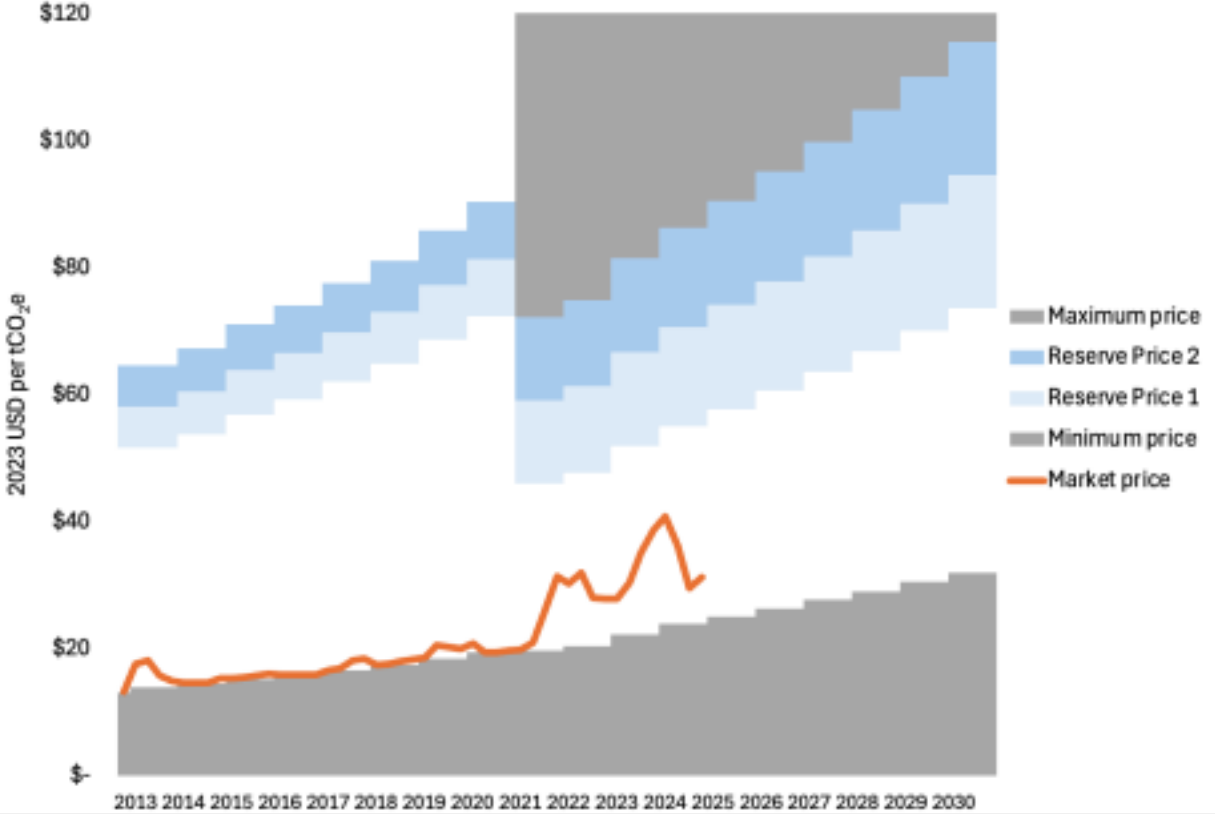
report<sup>6</sup>

### Financial flows in California's cap-and-trade program



Source: [draft 2024 IEMAC](#)

Carbon prices and market design



Allowance budget shares

