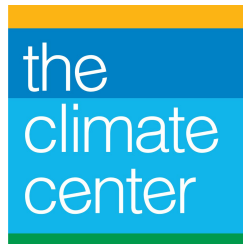


Reforming California's Cap and Trade Program

February 20, 2025

Envisioning a Climate-Safe Future Webinar Series



Sponsors



Promotional Partners



Today's Agenda

- **Climate Safe California**
- **Jasmin Ansar, Senior Researcher, The Climate Center**
- **Catherine Garoupa, Executive Director, Central Valley Air Quality Coalition**
- **Sam Uden, Co-founder and Managing Director of Net-Zero California**
- **Dallas Burtraw, Darius Gaskins Senior Fellow at Resources for the Future**
- **Danny Cullenward, Senior Fellow, Kleinman Center for Energy Policy, University of Pennsylvania**
- **Q&A**
- **Wrap Up & Take Action**



Our Mission

We're working to rapidly reduce climate pollution at scale, starting in California.

We believe in thriving, healthy communities. We envision a future where everyone in California enjoys clean air and water, renewable and reliable energy, healthy food, thriving nature, and more.

Climate-Safe California

Climate-Safe California is a set of policies that would allow California to **remove more climate pollution than we emit while securing resilient communities for all.**

The Four Pillars of Climate-Safe CA



**Phase out
fossil fuels**



**Scale up carbon
drawdown**



**Invest in resilient
communities for all**



**Fund climate
action now**



Photo by Canva

The Climate Center's 2025 Priorities

Cut:

- Enact “Polluter Pays” Laws in California
- Eliminate Tax Breaks and Subsidies for Fossil Fuels in California Budget

Deploy:

- Bidirectional EV Charging implementation
- Reform private utility compensation and incentivize distributed local clean energy for affordability

Drawdown:

- Scale up regenerative agriculture and compost use for carbon sequestration and other benefits
- Support Resource Conservation Districts to provide technical assistance to farmers and ranchers



#ClimateSafeCA

**For thriving communities,
California must accelerate
equitable climate action now!**



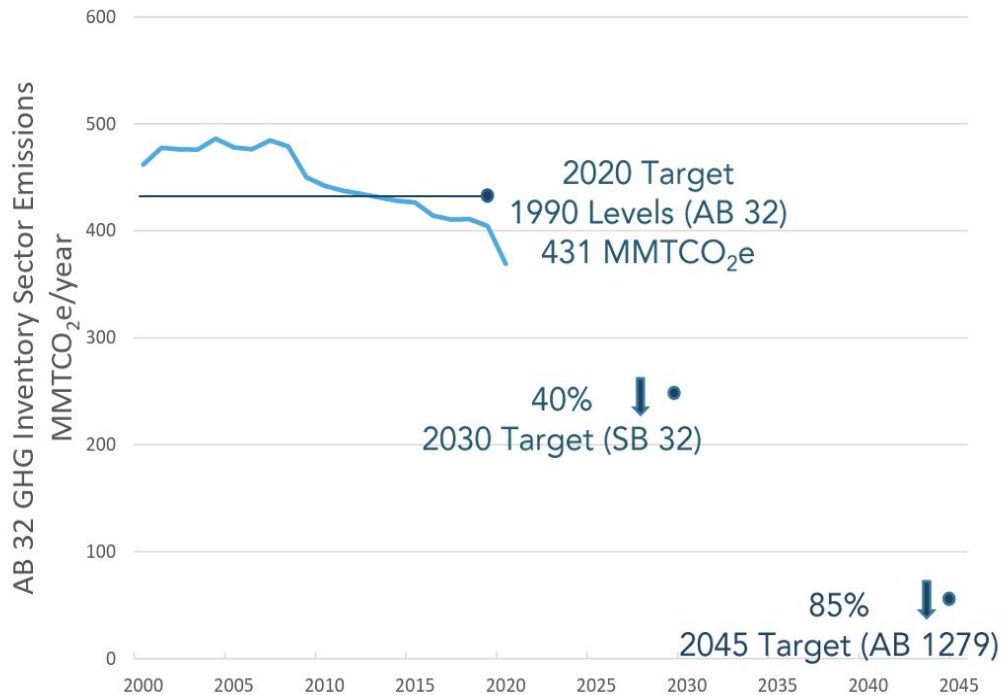
**Endorse the campaign:
ClimateSafeCA.org**

Cap and Trade - a brief overview

https://ww2.arb.ca.gov/sites/default/files/2025-01/Cap_and_Trade_Program_Quick_Facts.pdf

GHG Emissions Reduction Targets

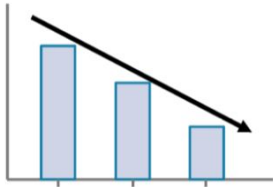
Achieved AB 32 target in 2014



ACHIEVING
CARBON
NEUTRALITY
BY **2045**

GHGs included in statute: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF₆), nitrogen trifluoride (NF₃).

Cap and Trade Basics



Declining Caps



Increasing Price
Signal



Targets Lowest
Cost Reduction
First

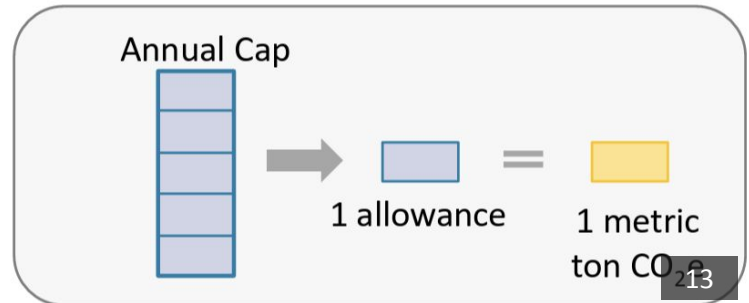
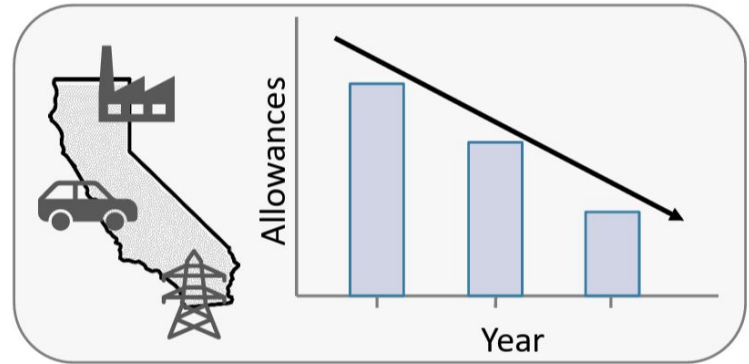


Long-Term Price
Signal for Clean
Technology
Investments

Overview of Cap and Trade

Key element of California's portfolio approach to achieve the State's GHG emissions reduction targets

- Economy-wide, declining cap on annual GHG emissions
- Cap set by allowances issued each year according to California's GHG goals
- Compliance obligations
 - Covered entities must surrender compliance instruments equal to emissions
 - One allowance = one offset credit = permit to emit one MTCO₂e
 - Compliance instruments are tradable

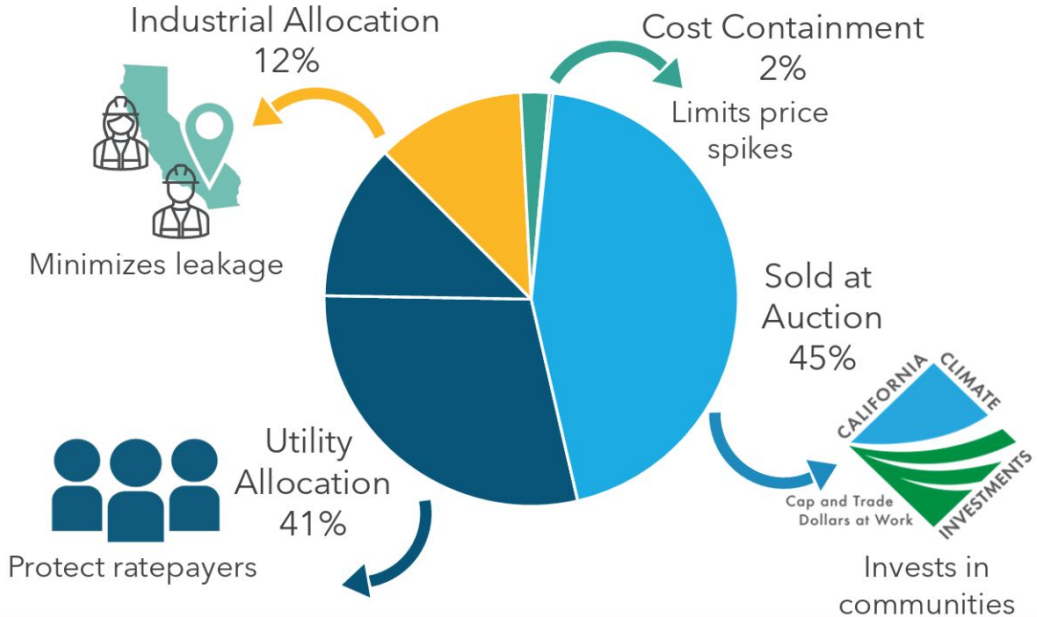


Cap-and-Trade Allowance Distribution

Allowance value distribution

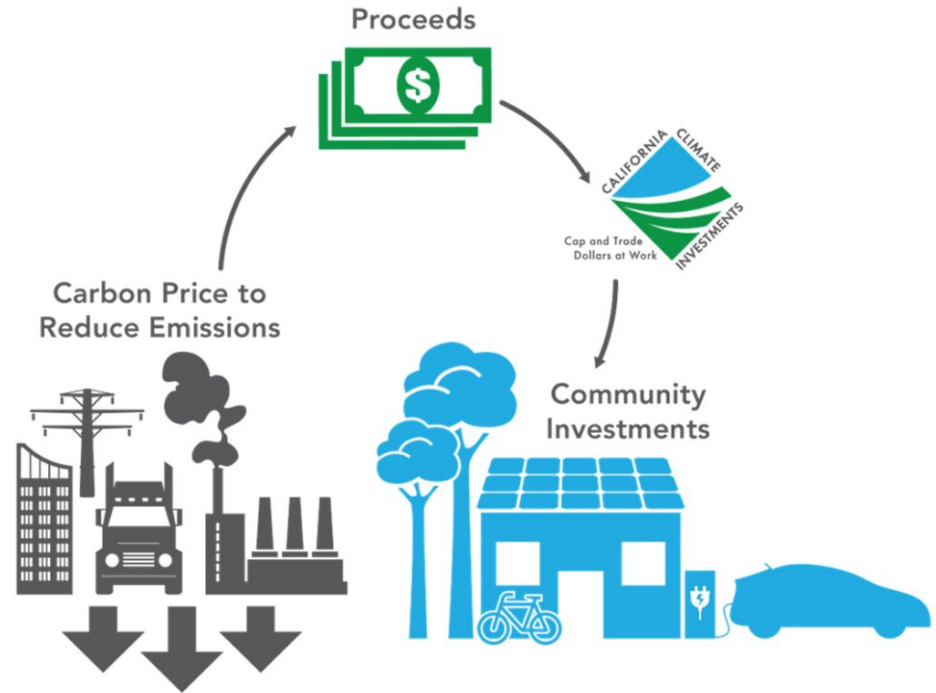
- Sale at auction funds California Climate Investments and AB 617
- Free distribution to utilities for rate payer protection
- Free distribution to industry to minimize leakage where production leaves the state

Cap-and-Trade Allowance Distribution Estimated Under Current Regulation (2025-2030)



Cap-and-Trade Program Critical Funding for Equity

- Auction of State allowances solely fund California Climate Investments and funds AB 617 Community Air Protection Program
- \$27B raised; \$11B implemented (through November 2023)
- Over 76% implemented benefiting priority populations
- Projects will reduce 109 million metric tons CO₂e, 106 thousand tons of criteria air pollutants



Implementation of Cap and Trade



GHG Targets & Goals

Legislation & Executive Orders: Total GHGs (AB 32/SB 32/AB 1279) or sector targets (SB 1383/SB 100), etc.



Scoping Plan

Actionable plan across all sectors



Action

Regulations & Incentives: Advanced Clean Cars, climate change investments, etc.



Projects

Examples: Zero-emission trucks, energy infrastructure and renewables, compost facilities, digesters, etc.

Next Steps

Goal is regulatory certainty as soon as possible

- Inform planning by regulated entities for a more stringent 2030 target
- Inform planning to leverage recent federal incentives

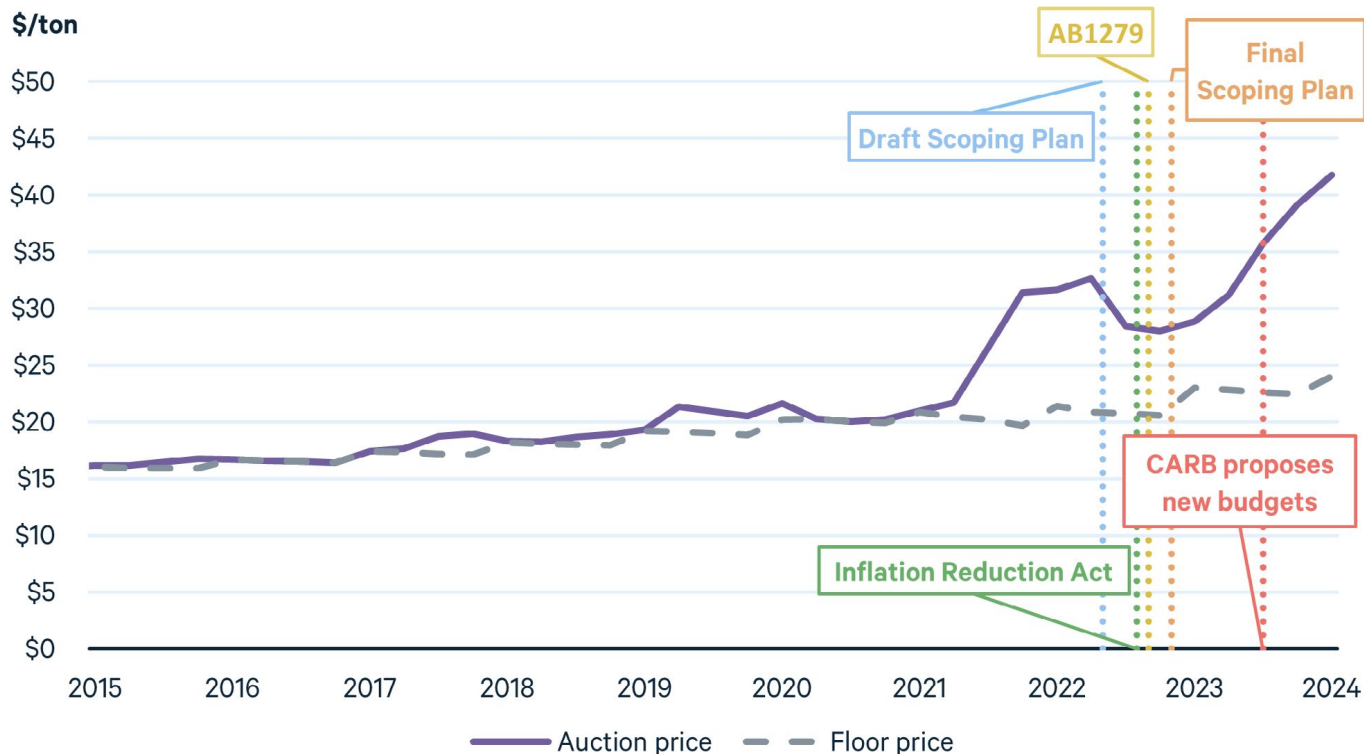
Tentative Schedule

- Late summer: Initial package released for 45-day public comment period
- Late 2024 - early 2025: Board Consideration
- Early 2025: Amended Regulation in effect

There will be multiple opportunities for public input after the rulemaking package has been released, including a 45-day public comment period.

Figure 3. Allowance Price Over the History of the Program

(from Designing for Uncertainty: Amendments to California's Cap-and-Trade Market Nicholas Roy, Maya Domeshek, and Dallas Burtraw)



Cap and Trade: Areas of concern

- Why are we subsidizing polluters? High emitters (oil and gas companies) are given free allowances and do not pay for their pollution. We could use these monies to address affordability and transition costs.
- Unstable and low carbon prices
- Offsets are unreliable and lack credibility
- What should be funded by the auction revenues (the Greenhouse Gas Reduction Funds)?
- How do we manage affordability and higher carbon and energy costs?

Please share this research:

[Reforming California's Cap and Trade Program Policy Brief: Analysis and Recommendations](#)



December 2023

**Reforming California's
Cap and Trade Program
Policy Brief**

Analysis and Recommendations



**Dr. Catherine Garoupa is sick and is unable to attend the webinar.
Here are two links that present the content of her discussion.**

- [CARB EJ Advisory Committee cap and trade resolution \(technically final, noting that the highlights are to show what changes were made from the draft\)](#)
- [Legislative Hearing Handout re: cap and trade + Community Air Protection Program \(AB 617\)](#)

In her absence, Jasmin went through parts of a presentation made by the Environmental Justice Advisory Committee (EJAC) in a California Air Resources Board (CARB) workshop on April 23, 2024.

Here is the link:

<https://ww2.arb.ca.gov/sites/default/files/2024-04/EJACPresentation.pdf>

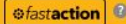


Call to Action

[Join us in telling Governor Newsom and state leaders to reform Cap and Trade this year!](#)

Tell California leaders to end fossil fuel giveaways through Cap and Trade.

Take future action with a single click.
[Log in](#) or [Sign up for FastAction](#)



Contact Information

First Name Last Name

Street Address

Postal Code City State

Email Mobile Phone (Optional)

Save the date for our next webinar:

February 25: [Creating Accountability for Carbon Removal Through Responsible Measurement](#)

This webinar is part of our Carbon Dioxide Removal six-part series and is relevant to this discussion today.