AB 32 Implementation

Presentation to the Economic and Allocation Advisory Committee
August 13, 2009

Kevin Kennedy, Assistant Executive Officer
California Air Resources Board
Office of Climate Change
• Status of AB 32 implementation
• Next steps for ARB
  ▪ Continuing work on implementing measures through individual rulemakings, including the cap-and-trade rulemaking
  ▪ Work on updated economic analysis
• Role for Economic and Allocation Advisory Committee
ARB Accomplishments

- Adopted Mandatory reporting regulation
- Set 2020 emission target
- Adopted Scoping Plan
- Adopted other emission reductions:
  - Pavley clean car standards
  - Low carbon fuel standard
  - Ship electrification
  - Port trucks
  - Consumer products
  - Landfill methane control
  - Efficient trucks
  - Car air conditioners
  - Sulfur hexafluoride
  - Semiconductor manufacturing
  - Cool cars
  - Tire inflation
ARB – Currently In Progress

- Cap-and-trade program being developed with Western Climate Initiative
- More economic analysis
- Multiple other measures including:
  - Refrigerant management
  - High GWP fee
  - Foam recovery
  - Pavley II vehicle standards
  - SB 375 targets
  - Oil/gas extraction & transmission
  - More efficient goods movement
  - Hybrid trucks

- Must be adopted by end of 2010 and in effect 2012
The Board directed staff, by December 2009, to examine and report on:

- costs and savings of the measures in the Plan, including appropriate consideration of co-benefits
- estimates on the timeline of the investments and related costs and savings
- sensitivity analysis, and
- consideration of the effects on small business

ARB and Cal/EPA will consult with EAAC as this work develops

This effort will inform ongoing implementation of AB 32 measures
<table>
<thead>
<tr>
<th>Event Time</th>
<th>Event Description</th>
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<tbody>
<tr>
<td>Fall 2009:</td>
<td>Release preliminary draft regulation</td>
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<td>December 2009:</td>
<td>EAAC recommendations</td>
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<td>Early 2010:</td>
<td>Second regulation draft</td>
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<td>Mid-2010:</td>
<td>Final regulation draft and staff report</td>
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<td>November 2010:</td>
<td>Board hearing</td>
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<td>January 1, 2012:</td>
<td>Cap-and-trade start-up</td>
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• ARB Staff plans to release a preliminary draft of the cap-and-trade regulation this fall
• The preliminary draft will:
  ▪ show overall structure of the regulation
  ▪ indicate staff thinking in many key policy areas
  ▪ include placeholders for some key policy areas
• The preliminary draft will provide EAAC with context for its recommendations on allocation of allowances and revenue use
• EAAC recommendations will be used in developing the second draft
• EAAC will provide expert input on issues related to the distribution or auction of allowances and the use of revenue

• These issues include:
   the strategies and mechanisms for distribution of allowance value among various stakeholder groups (e.g. consumers/households, businesses, etc.)
   the economic and distributional effects of these strategies and mechanisms
   issues relating to the effect of allowance value distribution on inter-state and international competition
Economic Analysis of Cap-and-Trade Program

• The Board directed staff to consider the economic implications of different cap-and-trade program design options.

• Staff will continue to analyze the economic effects of the cap-and-trade program during rule development through the remainder of 2009 and in 2010.

• Members of the EAAC interested in advising this process will be consulted throughout this effort.
ARB and Cal/EPA staff will work with the EAAC members to facilitate information sharing with committee members and the public.

Staff will post information that is shared with committee members to the EAAC website:

http://climatechange.ca.gov/eaac/index.html
EAAC Website:
http://climatechange.ca.gov/eaac/index.html

ARB’s Climate Change Website:
http://www.arb.ca.gov/climatechange

California’s Climate Change Website:
http://climatechange.ca.gov/

ARB’s Cap-and-Trade Web Site
http://www.arb.ca.gov/cc/capandtrade/capandtrade.htm

Western Climate Initiative
http://www.westernclimateinitiative.org