



Scoping Plan and Continuing Economic Analysis

**AB 32 Implementation of the Scoping Plan
August 13, 2009**

Air Resources Board

Overview

- Updated Scoping Plan Analyses
 - Board Resolution Language
 - Individual Measure and Macro Analyses
 - Questions for the Committee
- Analyses to Support the Design of the Cap and Trade Program
 - Board Resolution Language
 - Ongoing Regulatory Analyses
 - Questions for the Committee

Updated Scoping Plan Analyses

Board Resolution 08-47 directs ARB staff to:

- By December 31, 2009 examine and report on:
 - Estimates of overall costs and savings and the cost-effectiveness of reductions, including appropriate inclusion of reductions in co-pollutants
 - Estimates of the timing of capital investments, annual expenditures to repay investments and resulting cost savings
 - Sensitivity of results to changes in key inputs, including energy price forecasts and estimates of measure costs and savings
 - Impacts on small businesses

Individual Measure Analyses

ARB will continue to develop individual measures and to assess their associated costs and savings

- Evaluate how changing economic conditions affect the projected measure costs and savings
- Estimate the timing of capital investments
- Estimate employment and small business impacts

Continued Modeling Efforts

- Continue to utilize and refine in-house modeling tools such as E-DRAM and Energy2020
- Evaluate additional modeling tools and external modeling resources
- Collaborate with other interested parties and assess results from analyses performed with other modeling tools

Questions for the Committee

When evaluating the implementation of AB 32:

- What economic impacts should be considered?
- What are the best methods/tools and inputs for estimating the economic impacts?
- What are the best methods/tools for evaluating how the cost and savings will be distributed?
- What is the appropriate approach for valuing co-benefits?

Cap and Trade Program Design

Board Resolution 08-47 directs ARB staff to:

- Solicit input from experts to advise ARB on its continuing evaluation of the economic effects of implementing AB 32
- Consider the effects of the program on the overall California economy as staff develops the cap-and-trade regulations
- Consider the economic implications of different cap-and-trade program design options
- Coordinate the economic analysis of California's AB 32 program with the analysis conducted for the Western Climate Initiative.
- Work with other agencies, as appropriate, to ensure that California's energy demands are met, and that disproportionate geographic impacts on energy rates are avoided.

Cap and Trade Program Design

As part of the Cap and Trade rulemaking, ARB is considering the economic implications of different Cap and Trade program design options, including:

- Various scenarios for allowance distribution
- Various scenarios for the use of auction revenue
- The initial cap level and the rate of decline of the cap over time
- The potential supply of offsets within and outside California
- The economic and co-benefit effects of limits on the use of offsets

Questions for the Committee

For the continuing macroeconomic modeling effort:

- What measures, programs, and policies should be included in the reference case?
- Relative to a reference case:
 - What is the appropriate approach to projecting economic and emissions growth, considering the economic downturn?
 - What key variables or policies should be evaluated as part of a sensitivity analysis?
- What are best methods/tools for evaluating the effect of different allocation and revenue use strategies for the Cap and Trade program?



Questions and Comments?

**E-mail questions to
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