

Economic and Allocation Advisory Committee

October 7, 2009 Meeting

Timetable, Stages of Work, and Today's Agenda

Timetable

Future meetings:

- public teleconference: October __
- public meeting: Wed., November 18
- final meeting: during week of December 13

Analyses of economic impacts may continue after January 1

EAAC Roles

Economics role:

- identify key model inputs, models used, results to date
- consider potential alternative inputs and models
- advise ARB on modeling of economic impacts; comment on ARB's assessments

Allocation role:

- develop analytical frameworks, identify and evaluate options concerning:
 - use of various allocation methods (free or auctioning)
 - provision of allowance value

Subcommittees

Economics: convey potential economic impacts of AB 32

Allocation Mechanisms: examine options for free allocation and for auctioning of allowances; estimate total allowance value

Allowance Value Provision: consider alternative ways to distribute the allowance value

Legal: clarify legal context, identify existing/potential restrictions

Today's Agenda

Morning

Welcome and Opening Remarks: Larry Goulder

Progress Reports

Allocation Methods Subcommittee: Dallas Burtraw

Allowance Value Provision Subcommittee: Matt Barger

Legal Issues Subcommittee: Joe Nation

Break

Discussion

Public Comment

Lunch

Afternoon

ARB Progress Report on Updated Economic Analysis

Economic Impacts Subcommittee Progress Report: Jim Bushnell

Discussion

Public Comment

Stages of Work Related to Allocation Role

Stages of Work:

Allocation Methods Subcommittee

Conceptual:

Lay out rationales for alternative methods for allocation (various methods of free allocation and of auctioning)

Empirical:

Assess relative effectiveness of alternative methods (extent of “leakage,” administrative costs, behavioral responses, etc.)

Prescriptive:

Arrive at recommendations regarding specific method(s) for allowance allocation

Stages of Work:

Allowance Value Provision Subcommittee

Conceptual:

Lay out rationales for alternative distributions of allowance value

Empirical:

Assess alternative distributions of allowance value in terms of cost-effectiveness, distribution of impacts across affected parties, and environmental effectiveness.

Prescriptive:

Arrive at recommendations for distribution of allowance value

Criteria for Evaluating the Options

- Cost Effectiveness
- Fairness
- Environmental Effectiveness
- Simplicity

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- Environmental Effectiveness
- Simplicity

These connect closely with stated objectives of AB 32. The Act stipulates that regulations should be designed in a way that ...

- Seeks to minimize costs; minimizes the administrative burden
- Designs the regulations in a manner that is equitable; ensures that compliance with the regulations does not disproportionately impact low-income communities; directs public and private investment toward the most disadvantaged communities in California
- Minimizes leakage; ensures overall social benefits, including reductions in other air pollutants

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