

Testimony to California Joint Legislative  
Committee on Climate Change Policies

California's Cap-and-Trade Program and  
Affordability: Emerging Challenges and  
Potential Solutions

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February 26, 2025

# Wara Testimony re Cap and Trade

- Affordability is the key challenge
- How do we decarbonize (and therefore how should we spend money)?
- Climate credit redesign
- Increased allocation of allowances to utilities
- Subsidies to buy down cost of needed electric system investments



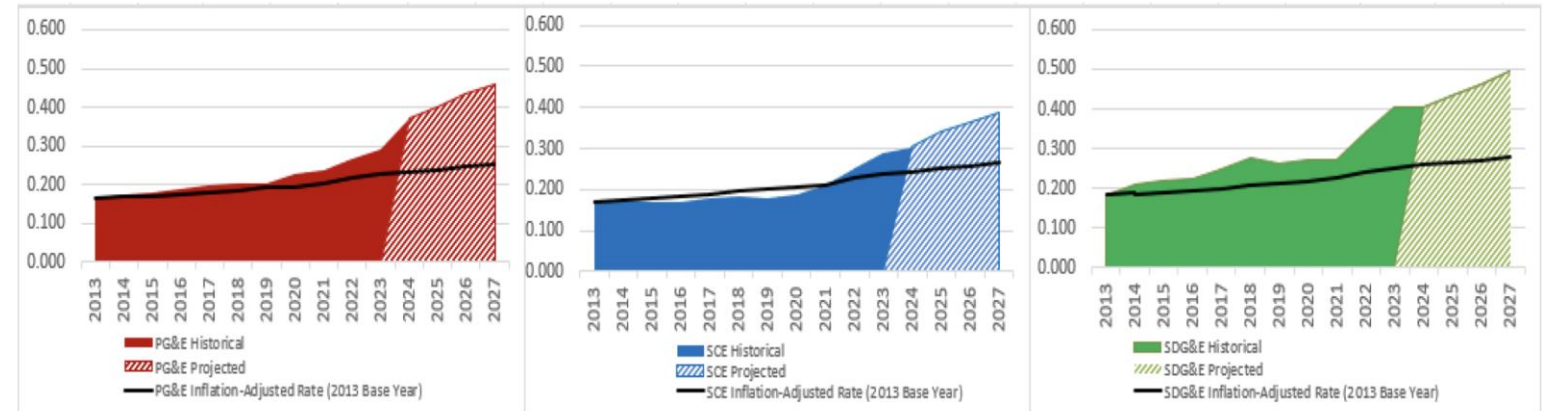
# Wara Testimony re

## Cap and Trade

- Affordability is the key challenge

### 2024 SENATE BILL 695 REPORT

**PG&E, SCE, and SDG&E Electric Bundled Residential Average Rates (\$/kWh)**



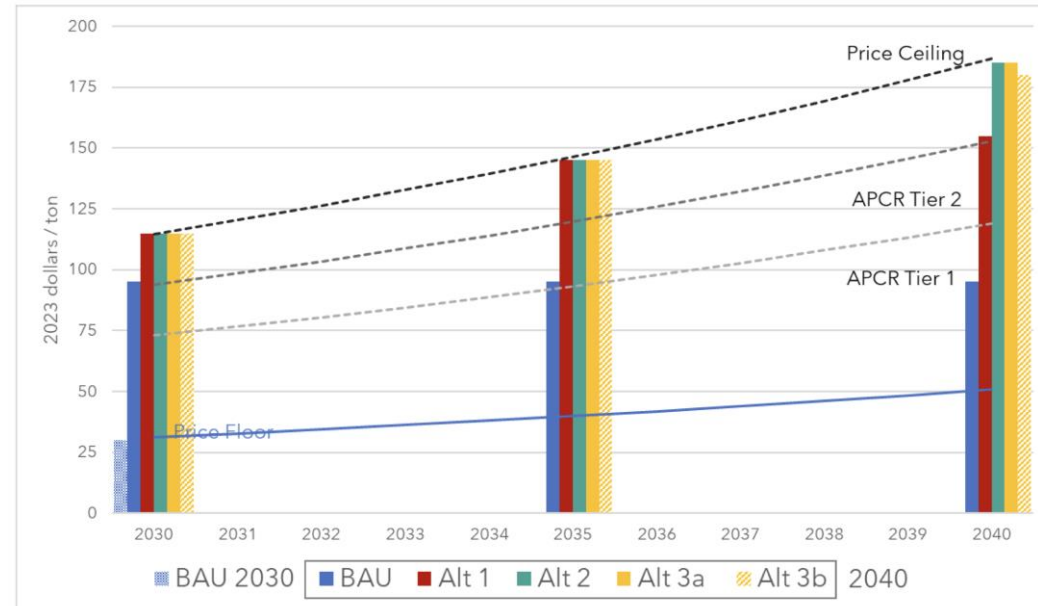
CPUC SB695 Affordability Report (2024)

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## Modeled Prices Under Different Scenarios

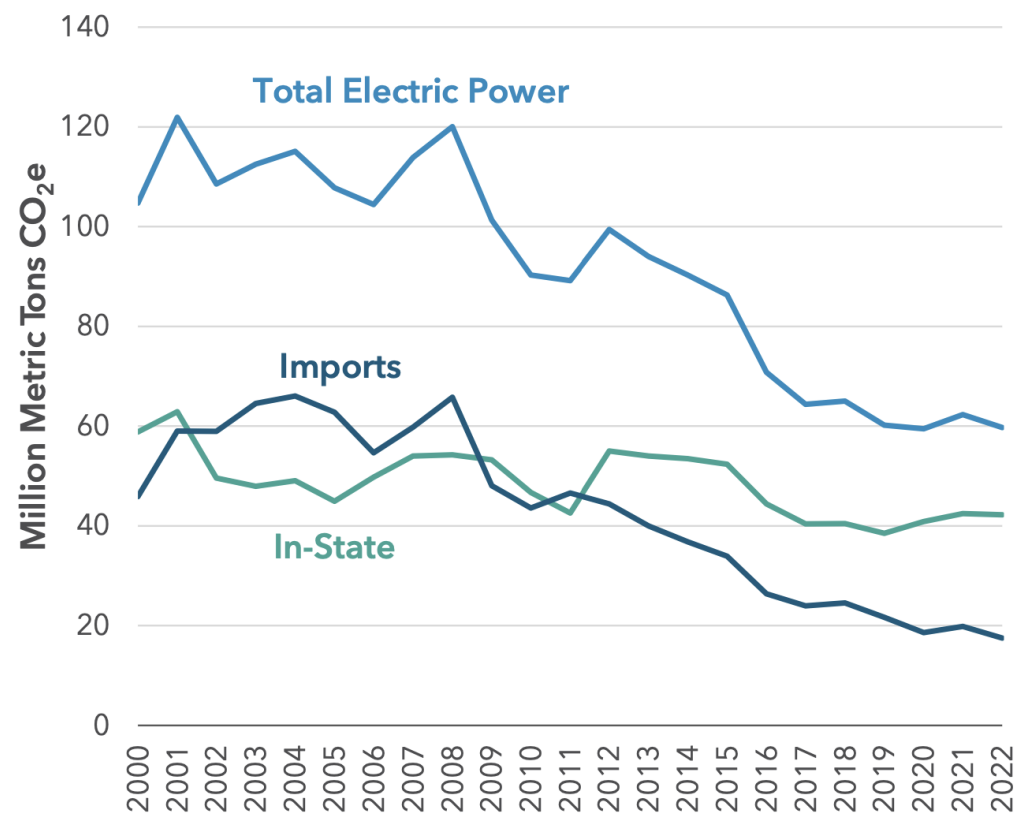


Allowance Supply and Demand  
in California's Cap and Trade Market: Initial Results,  
Bushnell et al (2024) for CARB

# Wara Testimony re Cap and Trade

- How do we decarbonize (and therefore how should we invest money)?

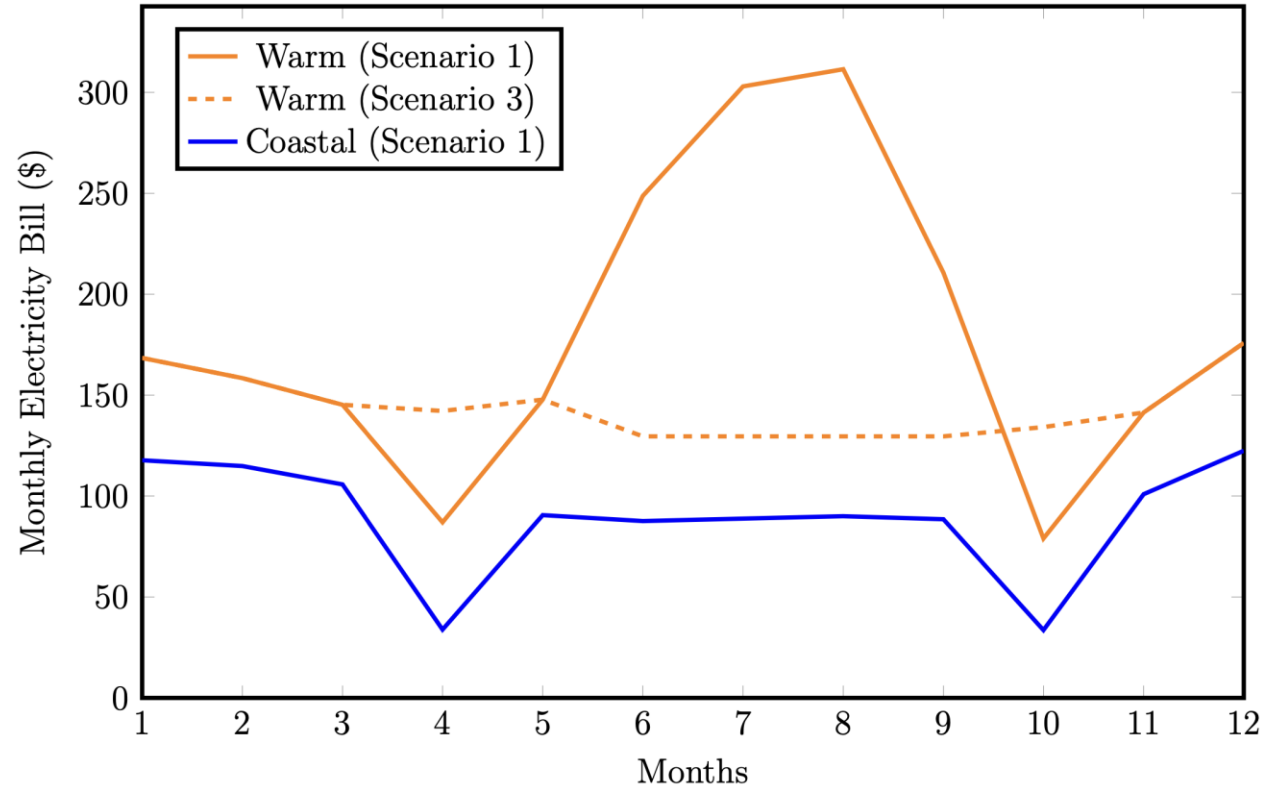
Figure 10. GHG Emissions from the Electricity Sector.



CARB GHG Emissions Trends Report (2024)

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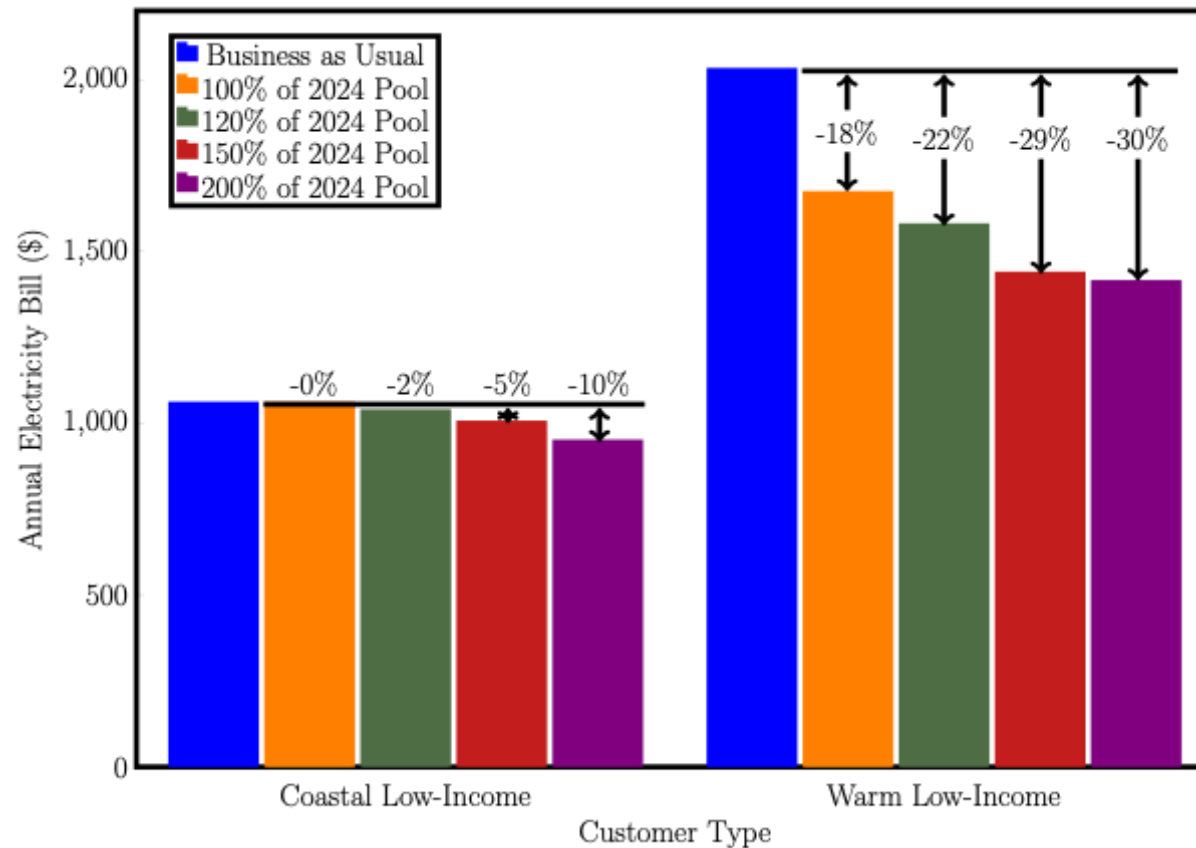
- Climate Credit redesign



Reallocating the Residential California Climate Credit to Low-income Customers, Smith, Mastrandrea, and Wara (2024)

# Wara Testimony re Cap and Trade

- Increased allocation of allowances to utilities

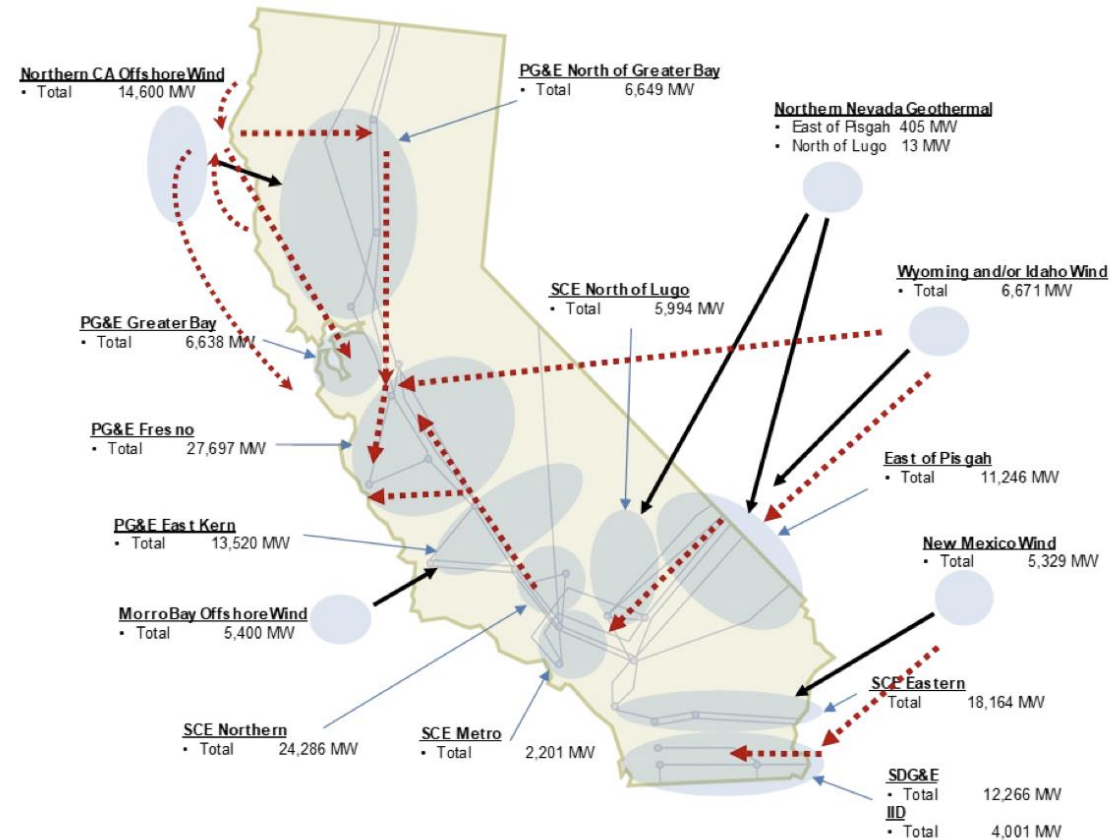


Smith, Macomber, Ahumada-Paras, Mastrandrea and Wara *in prep*

# Wara Testimony re Cap and Trade

- Subsidies to buy down cost of needed electric system investments

Figure ES-1: Transmission Development



CAISO 20-year Transmission Outlook Update (2024)



# Wara Testimony re

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## Conclusions

- Decarbonization requires
  - 100% clean power
  - Electrification of end uses
- Reauthorization will likely raise cap-and-trade costs
- California should use cap-and-trade money to buy down the transition cost
- That will make both electricity and decarbonization more affordable to Californians
- That will help ensure that cap-and-trade is economically and politically sustainable