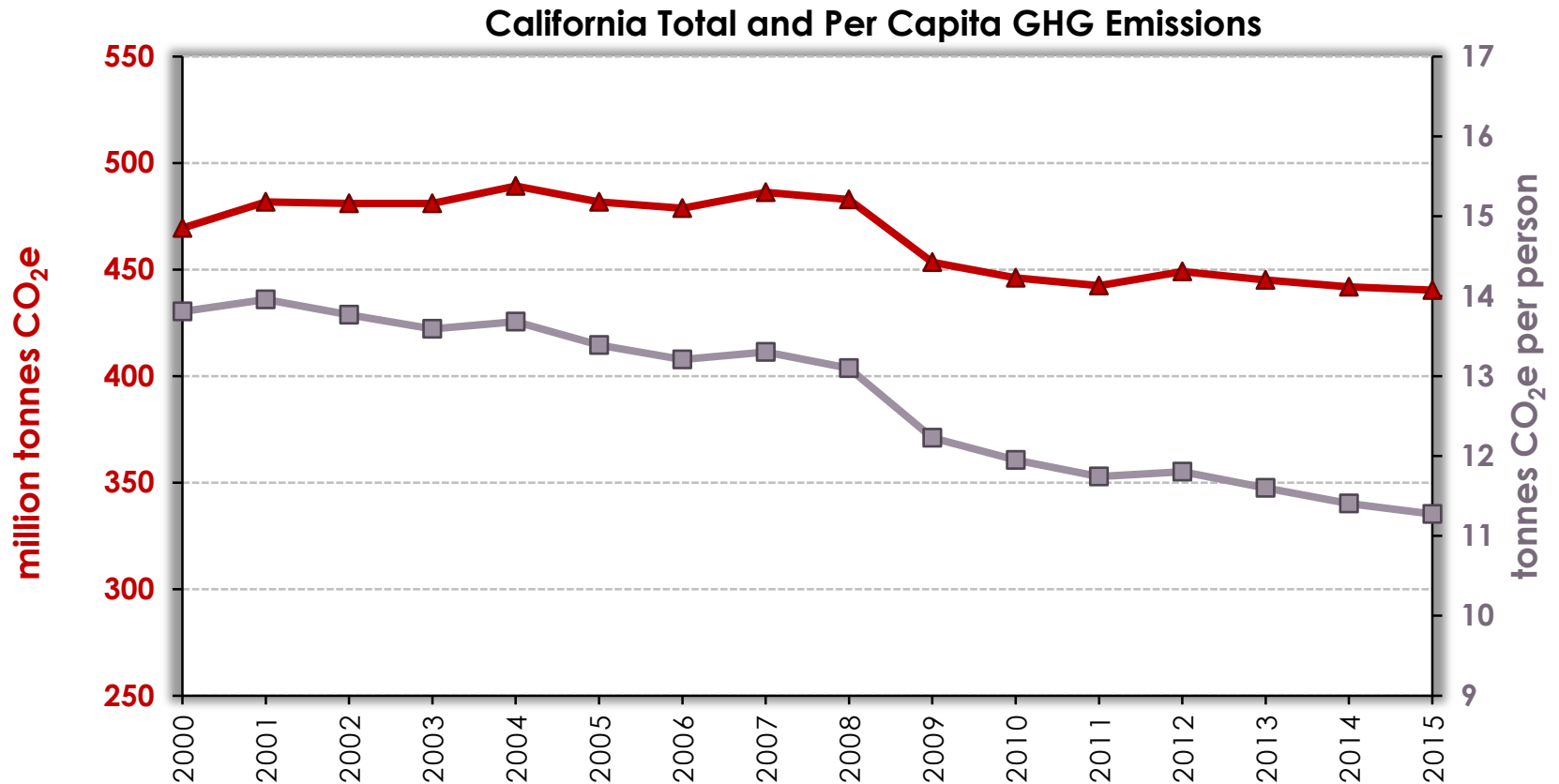


Joint Legislative Committee on Climate Change Policies

California Air Resources Board: Panel 1

June 14, 2017

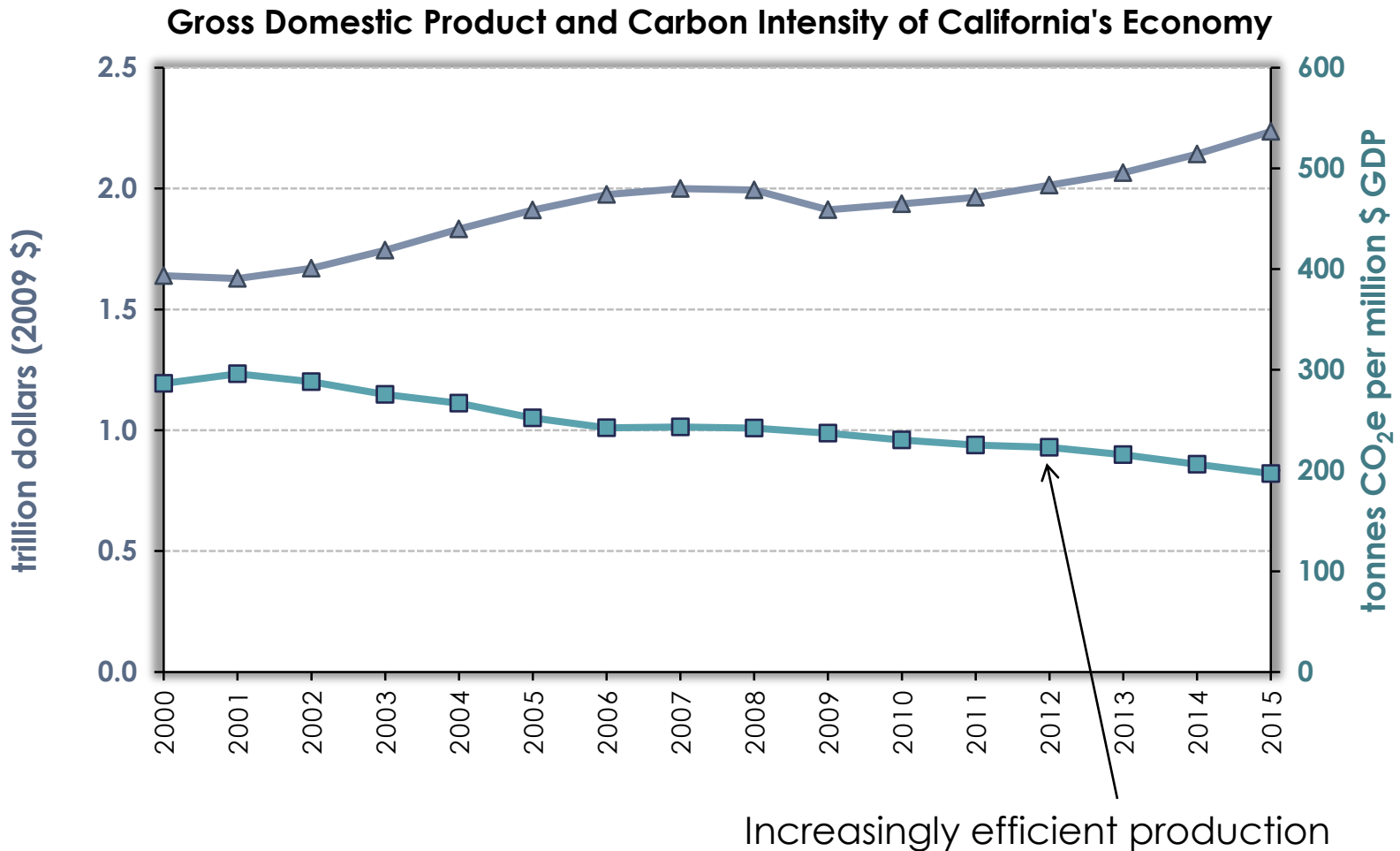
California's Greenhouse Gas Emissions are Declining



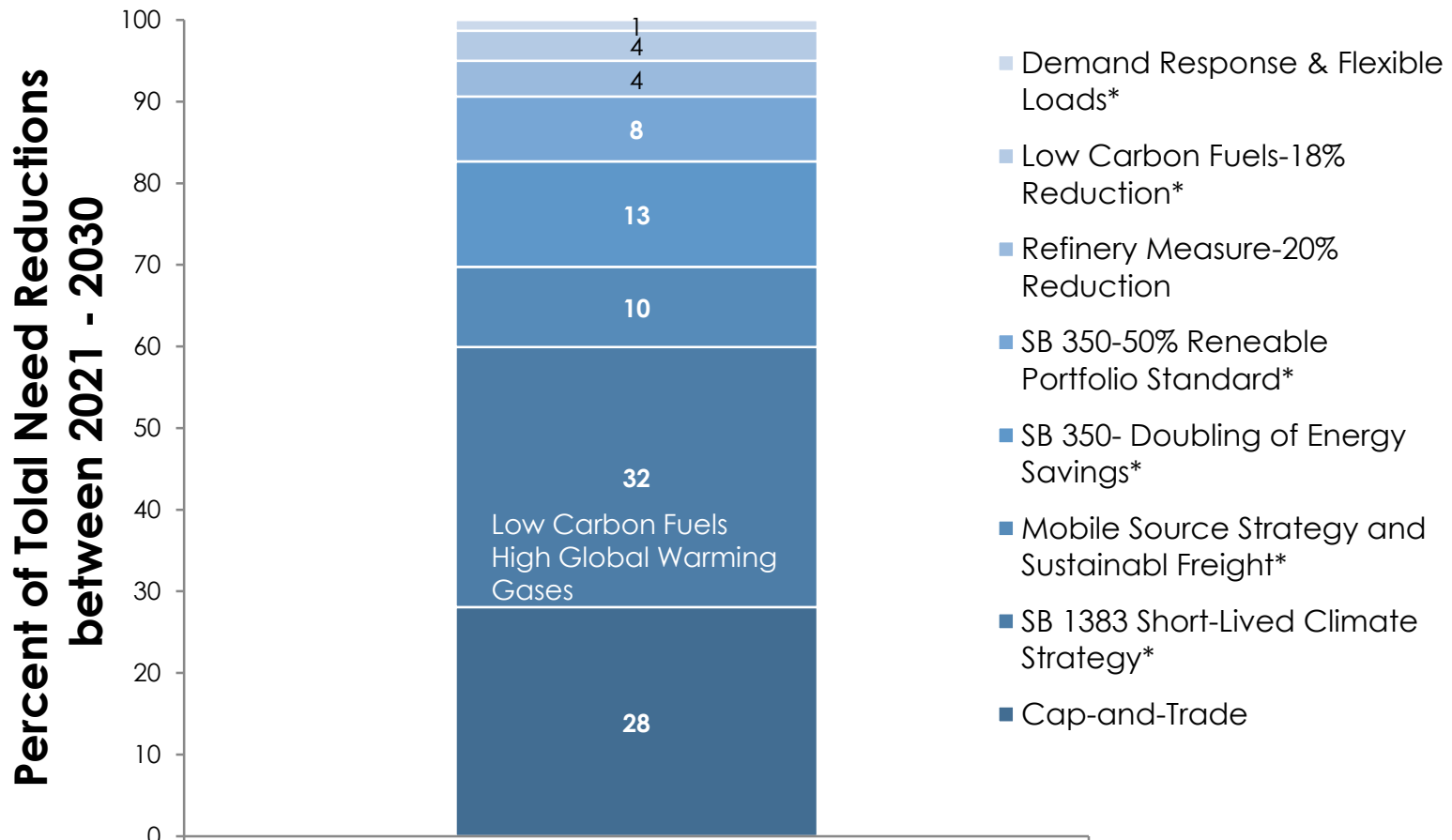
Inventory includes GHG emissions from in-state stationary and mobile sources and GHG emissions from imported electricity.

Out of state offsets are not included in the ARB GHG Inventory

California's Economy is Growing



2017 Proposed Scoping Plan Policies and Measures



Modeling includes actual reductions from in-state mobile and stationary sources and reductions related to imported electricity

*In-place measures

Proposed Scoping Plan Meets State's Objectives

- ▣ High probability of **meeting 2030 target** with hard cap
- ▣ Provides direct GHG emissions reductions from **all sectors**
- ▣ Provides **air quality co-benefits** through both command and control regulations and the Cap-and-Trade Program
- ▣ **Protects public health** through climate leadership, co-benefits, and investment in disadvantaged communities
- ▣ **Minimizes emissions leakage** through free allocation

Proposed Scoping Plan Meets State's Objectives

- ▣ Supports climate **investment in disadvantaged communities** by continuing to provide proceeds for GGRF
- ▣ Facilitates **sub-national and national collaboration** through linkage of Cap-and-Trade programs
- ▣ Supports **cost-effective and flexible** compliance by allowing trading
- ▣ **Supports Clean Power Plan** and other federal actions. The Cap- and-Trade program can be used to comply with CPP

Alternatives Considered

No Cap-and-Trade with Command and Control Regulations

- ▣ Enhanced existing measures (RPS >50%)
- ▣ Prescriptive measures for all industry (25-30% reductions by 2030)
- ▣ Incentive programs to retire and replace light duty vehicles and residential natural gas heating (>1 million cars and furnaces replaced)

Outcome

- ▣ Higher cost on California economy than Proposed Plan
- ▣ Higher uncertainty of not meeting 2030 target

Carbon Tax

- ▣ Existing measures
- ▣ Carbon tax at the social cost of carbon (\$50 per metric ton in 2030)

Outcome

- ▣ Higher uncertainty of not meeting 2030 target*

*Difficult to set tax correctly to hit an emissions target. Existing carbon tax in British Columbia shows setting the right tax to hit a target is difficult.

Alternatives Considered, cont.

▣ All Cap-and-Trade

- ▣ Existing measures
- ▣ No further enhancements to Low Carbon Fuel Standard
- ▣ No refinery sector measure

Outcome

- ▣ Estimated lower costs than Proposed Plan

▣ Cap-and-Tax

- ▣ Tax all GHG emissions that occur
- ▣ “Individual Caps:” fuel suppliers, gas and electricity utilities, and industry would each reduce GHG emissions by about 4 percent each year

Outcome

- ▣ Highest costs than Proposed Plan (at least 4x higher) and all alternatives considered
- ▣ Individual cap decline is not possible for many sectors.*
- ▣ Businesses could leave the state, impacting jobs and GDP

*Washington State cap-and-decline program has a less steep decline and incorporated offsets and trading to provide compliance flexibility