

An Overview of California's Cap and Trade Program

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By

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My message today

- ▶ Cap and trade is a new state program that creates a market for carbon emissions
- ▶ It affects most ports and maritime interests only indirectly
- ▶ The biggest opportunity is that new funding is available for projects or programs to reduce carbon emissions

What is cap and trade?

- ▶ One of California's strategies to reduce greenhouse gas (GHG) emissions
- ▶ A strategy to achieve emissions reductions at the lowest possible cost
- ▶ A market mechanism:

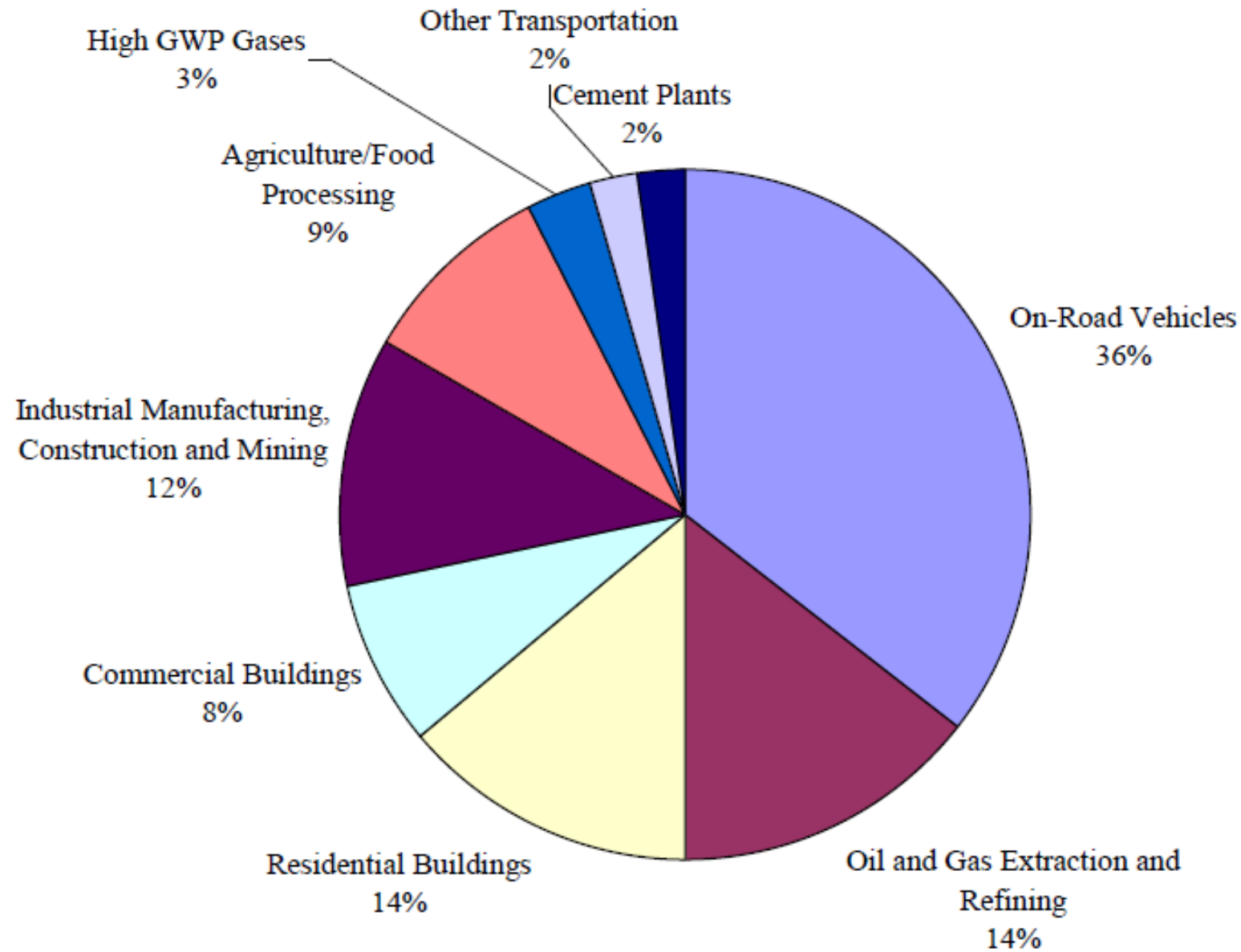
- ▶ Industries in the program must buy allowances for each ton of GHG they emit
- ▶ They can buy these allowances in auctions from the state, or from other emitters

- ▶ The total number of allowances available in the state will gradually be reduced

TRADE

CAP

California's GHG Emissions Inventory



Some Basics

- ▶ The most prevalent GHG is **carbon dioxide, CO₂**
- ▶ It's associated with fuel combustion (or any other kind of combustion)
- ▶ **Methane** (natural gas) is also of concern - over 20 times more potent



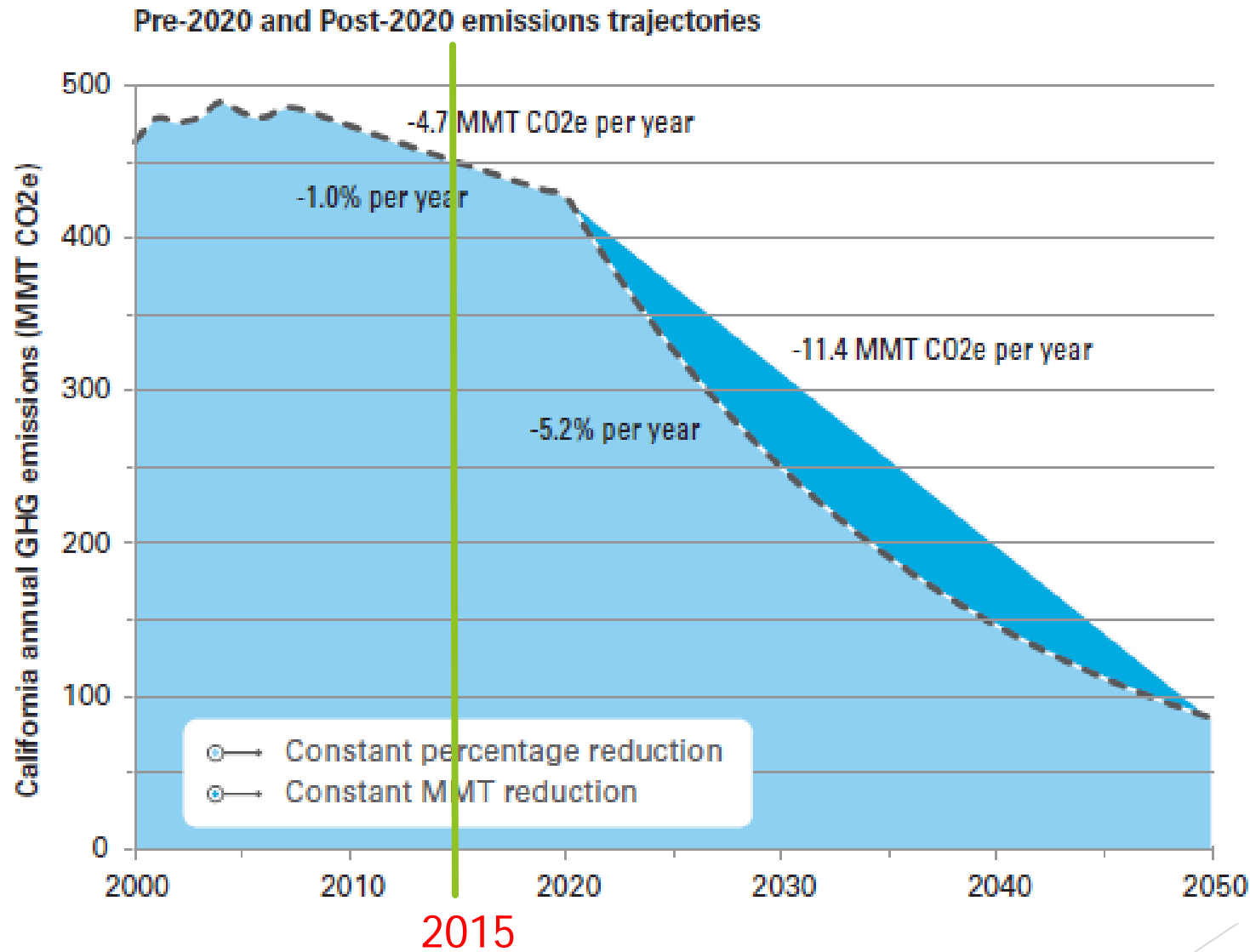
More Basics

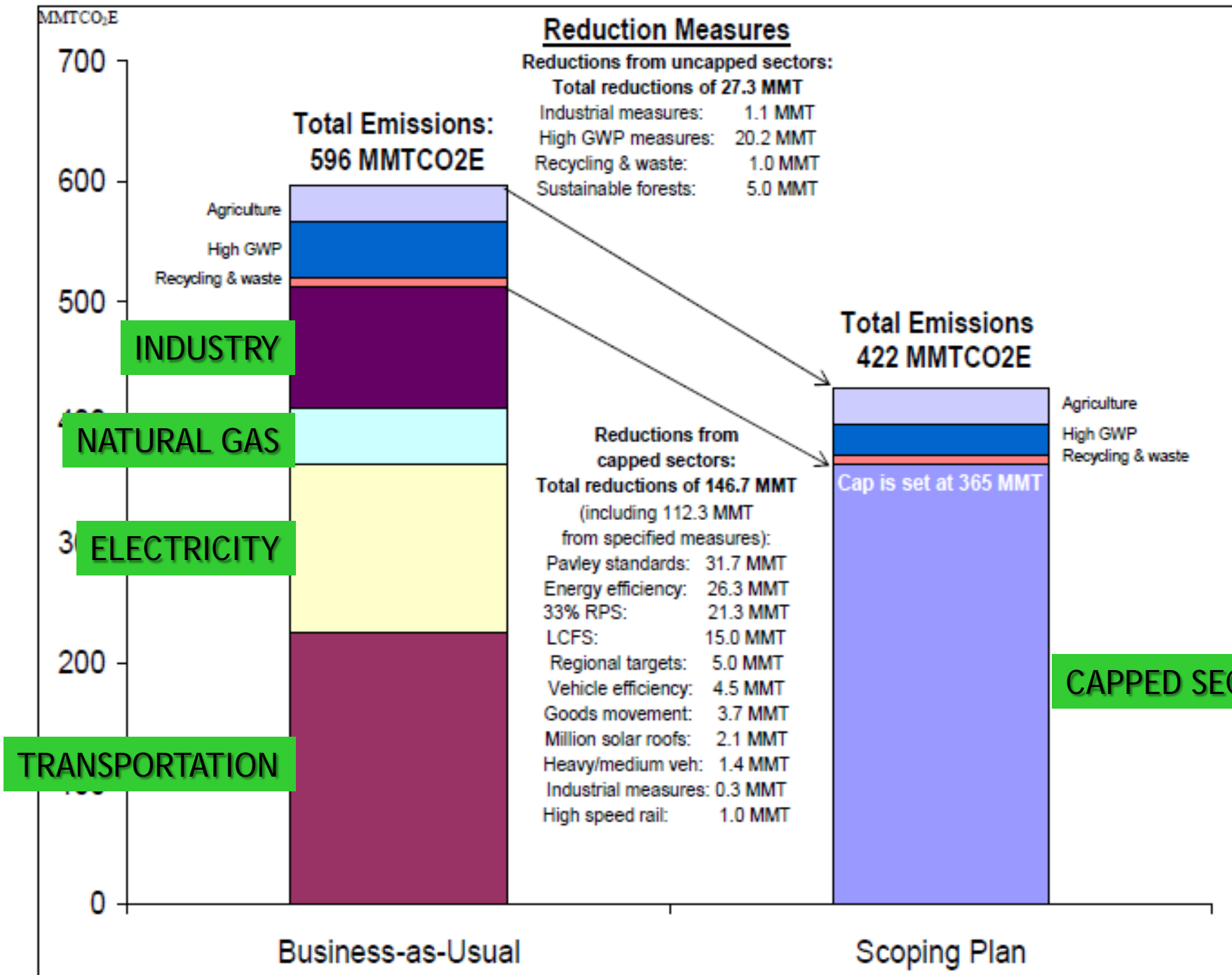
- ▶ LIKE other air pollutants
 - ▶ GHGs come from fuel use and combustion
 - ▶ Strategies to reduce GHG often also reduce other air pollutants (and vice versa) - “co-benefits”
- ▶ UNLIKE other air pollutants
 - ▶ GHGs don't cause localized health effects
 - ▶ There are no air quality standards for GHGs
 - ▶ GHGs do cause global environmental effects
 - ▶ Carbon can be emitted - or reduced - anywhere in the world
- ▶ Cap-and-trade puts a price on carbon emissions

California's Climate Change Programs

- ▶ AB 32 (2006): Governor Schwarzenegger's legacy
- ▶ Scoping Plan (2008)
- ▶ First Update (2014) lists California's goals:
 - ▶ "Preserve the California Lifestyle
 - ▶ Foster Resilient Economic Growth
 - ▶ Strengthen the Natural Environment
 - ▶ Improve Public Health and Social and Environmental Justice
 - ▶ Rely on Science and Foundational Research"

Another View of What CA is Trying to Do





How ports may be directly affected

**Table 13: Goods Movement Recommendation
(MMTCO₂E in 2020)**

Measure No.	Measure Description	Reductions
T-5	Ship Electrification at Ports (Discrete Early Action)	0.2
T-6	Goods Movement Efficiency Measures <ul style="list-style-type: none">• System-Wide Efficiency Improvements	3.5
Total		3.7

146.7 CAPPED

174 ALL

- ▶ Few specific regulatory programs (per 2008 Scoping Plan)

How ports may be indirectly affected

- ▶ Impacts on fuel supply and price
- ▶ Sustainable Freight Initiative
 - ▶ Lower emissions
 - ▶ Alternative technologies
- ▶ Carbon market - ports can sell or buy allowances
- ▶ Greenhouse Gas Reduction Fund - ports can apply for funds
 - ▶ Revenues from auction of allowances
 - ▶ Can fund projects to reduce emissions
 - ▶ Should last at least through 2020

Greenhouse Gas Reduction Fund

- ▶ Low Carbon Transportation (CARB)
 - ▶ \$200 million (2014-2015)
 - ▶ Scope includes
 - ▶ Heavy duty hybrid/ZEV trucks
 - ▶ Freight demonstration projects
- ▶ High Speed Rail and Transit & Intercity Rail Capital Program
- ▶ Set-asides for disadvantaged communities
 - ▶ 25% to “benefit”
 - ▶ 10% located in
- ▶ 2015-2016 Budget:
 - ▶ Governor: \$1 billion more (all programs)
 - ▶ LAO: est. \$2.3 billion more

How cap and trade is related to other programs

- ▶ Regulatory programs to reduce air pollution and meet air quality standards have existed for decades
- ▶ The focus on GHG is more recent
- ▶ Government programs are rarely coordinated, e.g.:
 - ▶ CAFE standards (federal)
 - ▶ CARB truck rules
 - ▶ Electrification of berths
- ▶ Cap-and-trade is additive to all other programs

Sources for further information

- ▶ CARB AB 32 Scoping Plan
 - ▶ Initial Document, 2008
http://www.arb.ca.gov/cc/scopingplan/document/adopted_scoping_plan.pdf
 - ▶ First Update, 2014
http://www.arb.ca.gov/cc/scopingplan/2013_update/first_update_climate_change_scoping_plan.pdf
- ▶ CARB Cap-and-Trade Program Page
<http://www.arb.ca.gov/cc/capandtrade/capandtrade.htm>
- ▶ CARB Auction Proceeds Page (links to funding programs)
<http://www.arb.ca.gov/cc/capandtrade/auctionproceeds/auctionproceeds.htm>
- ▶ Trucking Industry White Paper, 2012
<http://www.truckinginfo.com/whitepapers/download.ashx?id=63>

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Thank You!

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