California’s Cap-and-Trade Risk Management “101”

Cap-and-Trade Symposium
Sacramento
July 17th, 2013
Erika K. Anderson
Of Counsel Marten Law

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The Big Picture

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Know the rules

Flexibility

Compliance periods
Banking
Offsets
Clearing + rules

Transparency

OTC + anonymity

Cost containment

Reserve Auction
Offsets
Forward v. spot

Timing concerns

What products?

Risk or opportunity?

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Offset Value Chain

What to look for/provide in an offset
Who can you do business with?

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Lifecycle of an Offset

- **Concept**
- **Registration**
- **Implementation**
- **Issue**
- **Review**
- **Verification**
- **Retired**

May be invalidated for up to 8 years

May be sold one or more times

Buyer liability, but...
Stakeholders

- OPO (owner)
- Covered Entity
- APD (project developer)
- Subcontractors
- VAEs (Liquidity)
- Verification Body

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Reach of ARB

OPO (owner)

Covered Entity

APD (project developer)

Subcontractors

VAEs (Liquidity)

Verification Body

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Making an Offset

Subcontractors

OPO

APD

Verification Body

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Making an Offset

Retired

Issue

OPO

Concept

Registration

Implementation

APD

Review

Verification

Verification Body

Subcontractors

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Transacting

Covered Entity

OPO (owner)

APD

VAEs
(Liquidity)

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Transacting: VAEs

OPO (owner)

Covered Entity

VAEs (Liquidity)

APD

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Transacting: CEs

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Transacting

OPO (owner)

Covered Entity

APD

VAEs
(Liquidity)

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Safety is a myth. Risk is reality. Fear is the mind killer. Seize the day. Take the road less travelled. Dare to be different. Nothing ventured, nothing gained.

The adventure is within. Boldness has no age. Take the first step.

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Risk

Regulatory
- State (repeal; litigation)
- Federal preemption (two flavors)
- Interpretation

Counterparty
- Out of business
- Insolvent
- Bad faith or negligent

Project
- Discontinues this type of work
- Invalidation/Reversal
- Technology

Other
- Conversion
- Adoption

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Risk: Project Developer

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