



California's Cap-and-Trade "101"

Cap-and-Trade Symposium
Sacramento
July 17th, 2013

American Carbon Registry / Marten Law



Session Overview

Symposium is about compliance instruments
– acquiring, creating, buying, selling

1. California's cap, allowances & offsets
2. The Value Chain – who is involved?
3. Framework for discussing compliance instruments

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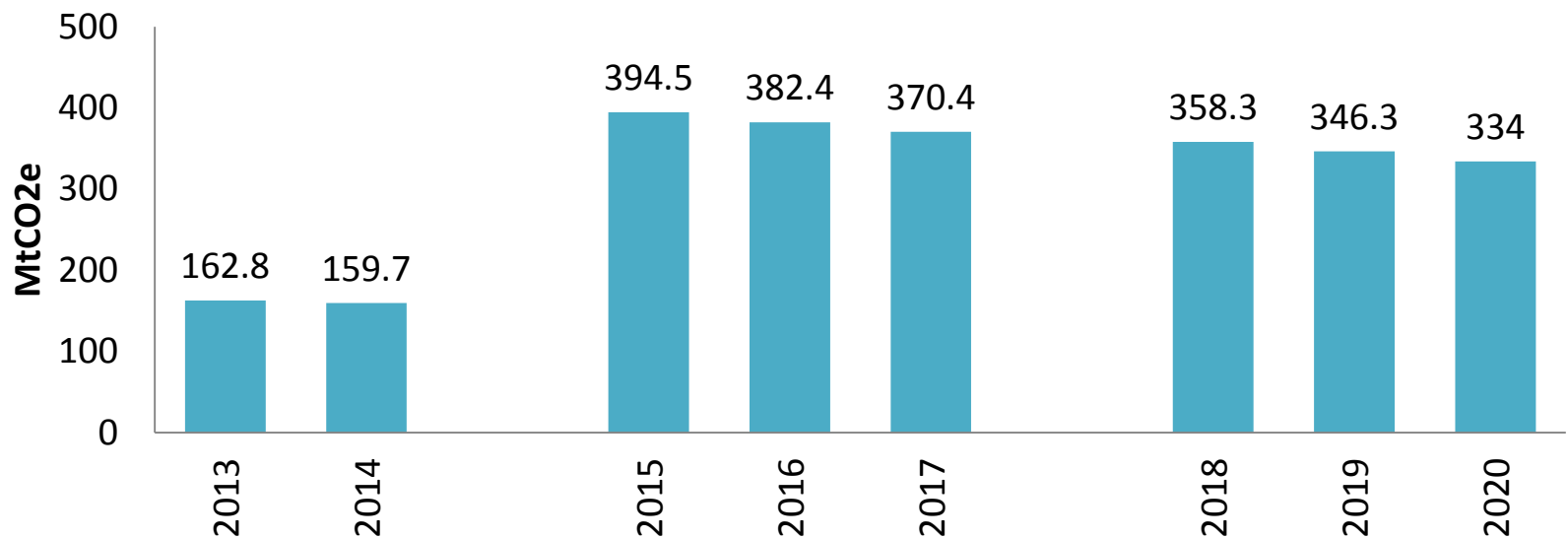
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California's Cap

Affected sectors: ~ 350 large businesses representing about 600 facilities

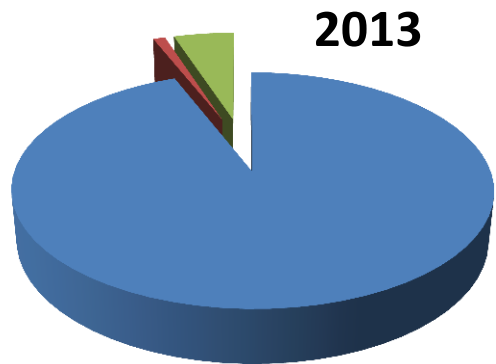
2013-14: Electricity; oil refineries; large industrial facilities; all > 25,000 tCO₂e/year

2015: + Distributors of transportation fuels; natural gas

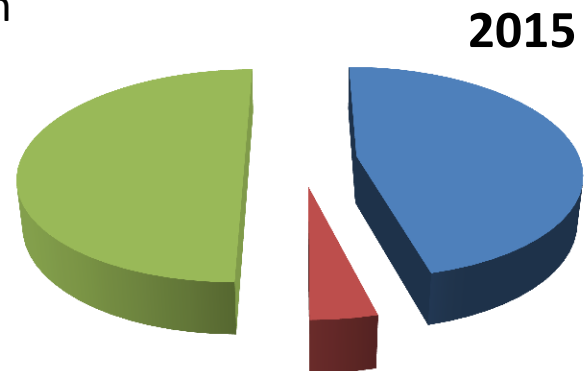
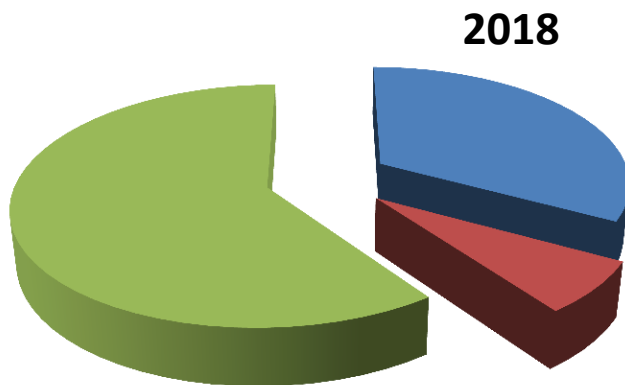


Total allowances between 2013 and 2020 = ~ 2.5 billion

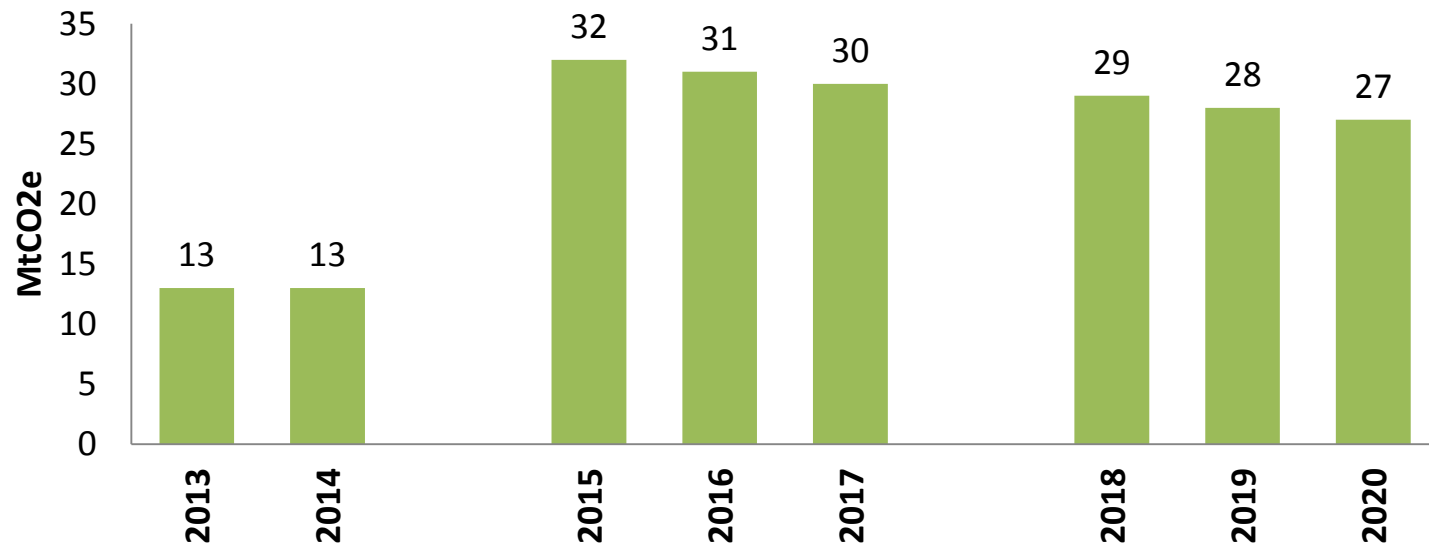
Allowances



■ Free allocation
■ Reserve
■ Auction



Offsets



8% of compliance obligation (~ 203 million)

Voluntary Participants

| | |
|--------------------------------------|--|
| Opt-In Voluntary Entity | Entity within a capped sector with annual GHG emissions < 25,000 tCO ₂ e |
| Voluntary Associated Entity | Non-capped entity seeking to purchase, hold, sell, retire or clear allowances or ARB offset credits |
| Other Registered Participants | Do not intend to hold allowances or ARB offset credits – i.e. Offset Project Registries, Early Action Offset Programs, Verification Bodies |

Offset Credits



Uncapped
sectors
only!

Current Compliance Protocols

- Livestock
- U.S. Forests
- Ozone Depleting Substances (ODS)
- Urban Forests

Four “early action” protocols

Protocols Under Development

- Coal Mine Methane
- Rice Management

Offset Credits: who?



Consultants/
service providers



MARTEN LAW



OPO (asset owner)



APD (project developer)

Offset Project Registry



Verification body



Voluntarily
associated entity



Covered Entity



Offset Credits: risk

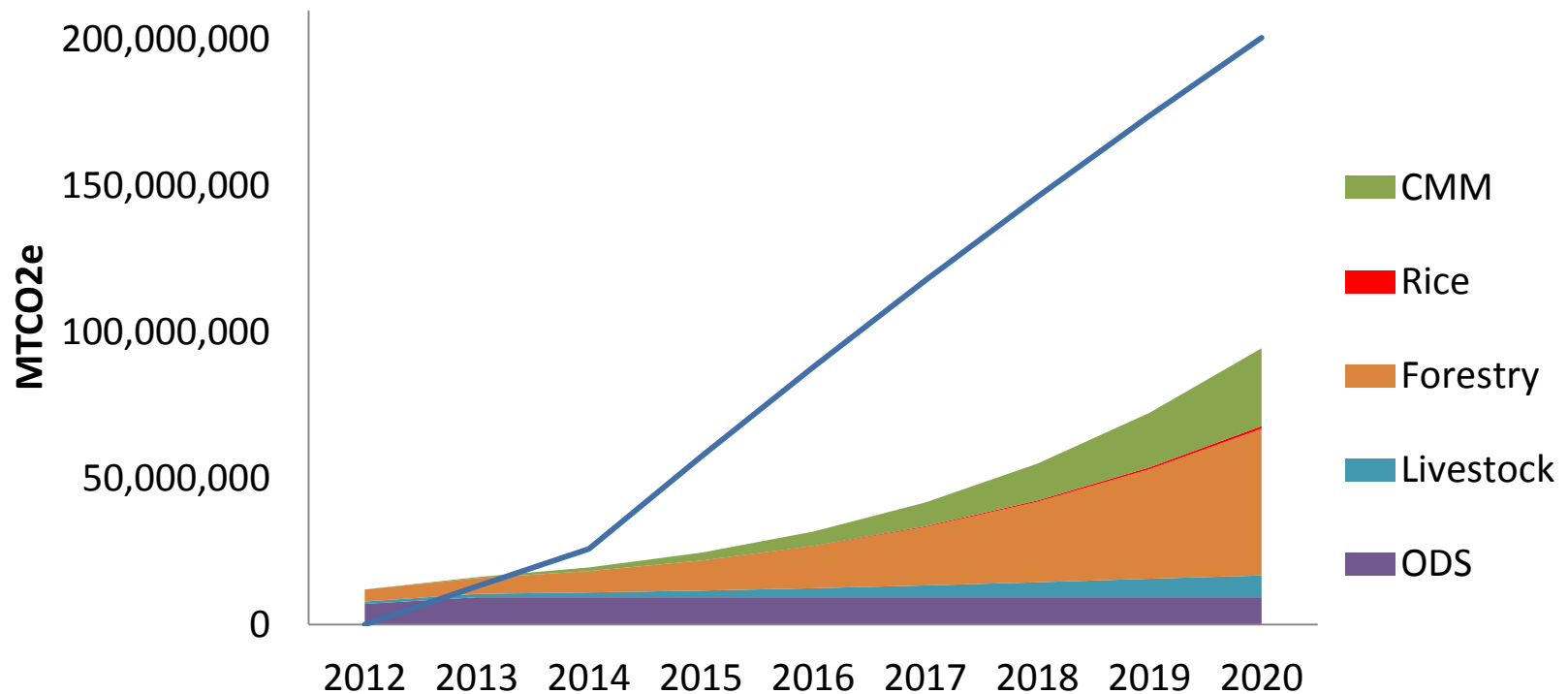
Offset Invalidation

- Credits issued by another program for the same period
- Credits overstated by more than 5%
- Project not in accordance with local, state , national regulations

Buyer Liability (...8 years ---> 3 years)

- Firms holding an invalidated credit must replace that credit to remain in compliance

Offset Credits: supply



By 2020 expected shortfall of 134 MMTCO₂e

Linkage

California



Quebec



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