

Subject: newsrel -- California releases preliminary rules for cap-and trade-program
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California continues effort to curb greenhouse gas emissions.

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California releases preliminary rules for cap-and trade-program

Draft regulation designed to seek input on range of issues

SACRAMENTO-The California Air Resources Board released a preliminary draft version of California's greenhouse gas cap-and-trade regulation today.

Release of the Preliminary Draft Regulation marks the beginning of the next phase of the cap-and-trade rulemaking, culminating in ARB's consideration in 2010 of the first broad based cap-and-trade program in the nation. The rule will be in effect by January 1, 2012.

"As world leaders prepare for another conference at which no new international treaty will be signed, it is important that the public understand that progress in reducing emissions continues," said ARB Chairman Mary D. Nichols. "By releasing the first draft of a cap-and-trade system that California will put into effect in 2012, we are demonstrating the state's determination to push ahead, continue to work with other states in the U.S. and abroad, and invite others to join us."

The document

(<http://www.arb.ca.gov/cc/capandtrade/meetings/121409/pdr.pdf>) released today combines in one place the results of a year-long public process involving 21 workshops on issues related to cap-and-trade program design, and builds on more than two years of collaboration with the partners of the Western Climate Initiative. As a preliminary draft version it contains both draft regulatory language on process and structure along with narrative sections that address significant issues that remain to be resolved within a cap-and-trade program.

"We believe that seeing the outstanding issues within the broader context of the rules for the overall program will help stakeholders and the public comment on all aspects of the program," said Kevin Kennedy, who oversees the Office of Climate Change at ARB.

The cap-and-trade program is one of the major building blocks of California's far reaching plan to address the state's contribution to climate change. The preliminary draft covers the full range of elements for the cap-and-trade program outlined in the Scoping Plan, adopted in December 2008. These include:

- * Requiring sources of GHG emissions to manage their emissions under an aggregate declining emissions cap that supports achieving the 2020 emissions target mandated by AB 32.
- * Starting the program in 2012 with about 600 of the state's

largest GHG-emitting stationary sources (primarily industrial sources and electricity generators), along with electricity imports.

* Including emissions from transportation fuel combustion (e.g., gasoline, diesel, ethanol), and from fuel combustion at stationary sources that fall below the threshold for direct inclusion in the program (e.g., residential and commercial natural gas combustion) by covering the suppliers of fuel to these sources.

* Requiring a minimum number of allowances to be auctioned at program start.

* Allowing limited use of high quality offsets outside of capped sectors to cover a portion of the overall emissions reductions.

* Establishing clear rules for emissions trading, monitoring and enforcement.

Once adopted, a California cap-and-trade program that links with similarly rigorous programs implemented by partners of the Western Climate Initiative will include a stringent declining emissions cap along with trading and the limited use of offsets to provide flexibility for covered entities to comply.

When fully implemented, the program would cover 85 percent of California's greenhouse gas emissions, including emissions from electricity generation, large industrial sources, transportation fuels, and residential and commercial use of natural gas.

The program development is being supported through the advice and review of a blue ribbon committee of outside experts (the Economic and Allocation Advisory Committee)

<http://www.climatechange.ca.gov/eaac/>.

The Preliminary Draft Regulation is available at

<http://www.arb.ca.gov/cc/capandtrade/capandtrade.htm> .

The Air Resources Board is a department of the California Environmental Protection Agency. ARB's mission is to promote and protect public health, welfare, and ecological resources through effective reduction of air pollutants while recognizing and considering effects on the economy. The ARB oversees all air pollution control efforts in California to attain and maintain health based air quality standards.

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The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption. For a list of simple ways you can reduce demand and cut your energy costs, see our website at www.arb.ca.gov.

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