

December 17, 2010

## California Puts a Price Tag on Carbon Emissions

Author: [Jon Costantino](#)

**It's official. Greenhouse gas emissions, currently emitted free of charge in California, will have a price tag on them starting in 2012. On December 16, 2010, the California Air Resources Board ([CARB](#) or Board) voted 9-1 to approve the nation's largest and first economy-wide carbon market. This market [regulation](#) is better known as Cap and Trade.**

This historic action directly affects those subject to its provisions—initially California's large industry and electrical generators, but eventually fuel providers (natural gas, propane, gasoline and diesel) as well. But when you take a step back and look at the broader perspective, this program will touch the lives of everybody in the state. This includes: bankers, builders, businesses big and small, and everyday citizens.

The final vote was taken four years after The Global Warming Solutions Act of 2006 ([AB 32](#)) was signed, two years after the [Scoping Plan](#) policy document called for its use, one year after the Preliminary Draft Regulation ([PDR](#)) outlined its basic policies, and on the day of adoption, after 170+ witnesses and hours of deliberation. In terms of state bureaucracy, this is practically at the speed of light.

Though the Board adopted the regulation, the accompanying [resolution](#) lays out the immense amount of work left to do. We can call them details, or loose ends, but they are vitally important to the program's success. They include final decisions on how to divvy up the carbon allowances needed for compliance, developing market parameters to prevent gaming the system, and producing a working trading and tracking computer system.

Looking ahead over the next twelve months, until the program starts in January 2012, there are already a few mileposts staked out. The staff must respond in writing to the 1000+ comments submitted prior to the hearing, finalize the various aspects of the program, report back to the Board by July 2011, and hold the first allowance auction in the Fall.

For additional information on how the Cap and Trade's new regulatory requirements will affect you, or for assistance participating in CARB's continued rulemaking process, contact [Jon Costantino](#) at 916-552-2365 in the [Energy, Environment & Natural Resources](#) practice group at [Manatt, Phelps & Phillips, LLP](#). Also, please refer to two earlier Newsletters detailing its [release](#) and the allocation method for industry.