

## Client Alert.

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# Full Speed Ahead – California Overwhelmingly Approves Landmark Greenhouse Gas Cap-and-Trade Program

By Peter Hsiao, William Sloan, Michael Steel, and Jennifer Jeffers

As predicted, the California Air Resources Board (CARB) voted 9-1 on December 16 to adopt the nation's largest cap-and-trade program to regulate greenhouse gas (GHG) emissions. The details of the regulations can be found in our prior update by clicking [here](#). Given Congress's inaction to advance national climate change legislation, the program will set the price for carbon in California (the seventh largest economy in the world), with invitations for linkage to other state and regional carbon credit markets.

At its public hearing, CARB voted to adopt its draft regulations and directed its staff to make various modifications and obtain input through a 15-day public comment process before finalizing and submitting the regulations to the California Office of Administrative Law. Suggested modifications to the cap-and-trade program include: (1) clarifying language in the final resolution with respect to emissions without a compliance obligation; (2) finalizing the allocation methodology for individual utilities; (3) incorporating efficiency benchmarks for each industry; (4) setting aside a certain percentage of allowances each year to incentivize the in-state production of voluntary renewable energy; and (5) ensuring consistency between compliance offset protocols and regulatory requirements for offsets.

CARB also proposed changes to its Mandatory Reporting Regulation for GHGs, including: (1) clarifying air districts as verification bodies; (2) excluding from reporting requirements fugitive methane emissions from livestock waste and landfills; (3) clarifying changes to the abbreviated reporting requirements for industries emitting between 10,000-25,000 metric tons of carbon dioxide or its equivalent; and (4) standardizing its reporting requirements with those of the U.S. Environmental Protection Agency.

The cap-and-trade resolution with its proposed modifications will soon be available on CARB's formal rulemaking webpage.

If you would like further information or have questions relating to AB 32 or California's other climate change regulations, please contact:

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