



CAP & TRADE PROGRAMS

The RECLAIM Program – Lessons Learned

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Regional Clean Air Incentives Market (RECLAIM)

- NO_x & SO_x cap & trade program > 300 largest stationary sources
- 67% reduction in NO_x, 50% reduction in SO_x, 1994-2007
- 22% additional “shave” to allocations for NO_x 2007-2011
- SO_x “shave” pending
- Ensures mass emissions are limited

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RECLAIM: Lessons Learned

- Plant Managers do not follow economic theory (short-term profit vs. long-term compliance)
- Sources fail to plan ahead – consider requiring compliance plans
- Insufficient time to install controls in response to price increases
- Unexpected demand can traumatize market (energy crisis price spikes)

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RECLAIM: Lessons Learned (cont.)

- Do not over allocate in effort to avoid “locking in” recession
- Ensure penalties adequate for deterrence
- Market information must be current and transparent
- Consider role of investors, out-of-state and foreign purchases (hoarding, enforceability)

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RECLAIM: Lessons Learned (cont.)

- Accurate and enforceable monitoring essential
- Prepare for implementation during rule development (permits, allocations)
- Information management demands are large
- Consider allowing “payback” over period of years, but do not allow variance from cap ⁵