

Cap and Trade

Adequate, Reliable, Affordable Energy in a Low-Carbon World



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Why cap and trade?

- WSPA supports cap and trade - a market program – because cap and trade minimizes costs of meeting the emissions cap mandated by AB 32
- Emissions (from regulated sources) are capped
- A cap-and-trade system allows emission reductions through measures that are least costly
 - Contrasts with command and control mandates that achieve emission reductions irrespective of cost-effectiveness
 - Emissions cap enforced through limiting number of emissions allowances
 - Trading allows sources to apply credits to emissions that are more costly to reduce
 - Resulting emission reductions are achieved at minimal cost
- Market price of allowances creates incentive for *all* covered sources to reduce *all* emissions

2



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Offsets are essential for successful cap and trade

- A cost-effective cap and trade program is predicated on robust trading and offsets elements
 - For a GHG program, robust means unlimited global offsets – real and verifiable – but unlimited!
 - Climate change is global issue that demands global solutions
- For California, robust offsets program will address emissions leakage to other states/countries, keep jobs in the state and reduce cost to consumers
- Offsets can reduce AB 32 costs by 80% and save 300,000 jobs according to a study by Charles Rivers Associates
- Offsets are the one mechanism that delivers environmental goals while controlling costs; use of offsets should be maximized, not limited

3



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AB 32 implementation

- For facilities
 - Maximizes cap and trade (with unlimited offsets) as regulatory framework for facilities
 - Minimizes direct command and control regulation on facilities
 - Ensures capped facilities obtain fair share of cap and trade allocations and equitable share of reduction obligations
 - Minimizes auctions
 - Ensures regulations are workable (can be complied with), enforceable, technically feasible and cost-effective
 - Minimizes regulatory burdens and hurdles to achieve emission reductions
 - Address EJ issues separate and apart from cap and trade and command and control regulations
 - Limits fees to administrative costs
 - Encourages CCS and protects CHP
 - Establish milestones to assess progress and viability

4



AB 32 implementation

- For fuels
 - Fully evaluate the pros and cons before incorporating fuels into cap and trade program
 - How would the inclusion of transportation emissions in a market integrate with, affect the design of, obviate the need for, or duplicate other transportation sector policies (i.e., LCFS)?
 - What effect would it have on fuel supply and fuel infrastructure?
 - What effect could it have on the cost of fuel to consumers?
 - How could the allocation process mitigate or exacerbate either fuel supply availability issues or costs to consumers?
 - How would inclusion of transportation sector emissions in a cap and trade program affect the rest of the market?
- Adequate, reliable, affordable energy is key to the successful implementation of CA's AB 32

5

