

# CAP AND TRADE: HOW IT WORKS AND HOW TO MAKE IT WORK FOR YOUR BUSINESS



## Cap and Trade Mechanics

Jane Luckhardt

# The Theory Behind Cap and Trade

- **Hard Declining Cap**
  - Covers 85% of GHG Emissions
- **Cost Containment and Market Flexibility – 3 year compliance period**
- **Allowances**
  - 90% of Benchmark Initially
  - Purchase remainder

## Covered Entities: Who's In & Who's Out

- 2013 Electric Power & Industrial
  - Valero, Chevron, Shell
  - Metcalf, Los Esteros, SV Power
  - Cardinal Cogen, UCSF, SJ State
- 2015 Distributors of fuel
- Out – Agriculture & Forestry

## Follow the Money

- Investment Plan: GHG Reduction Fund
  - Proceeds must support GHG reductions
  - 25% disadvantaged communities
- Governor's Budget Proposal
  - Loan of \$500 million to general fund
  - Theory is GHG reduction programs are not ready

## Litigation

- California Chamber of Commerce
  - Cap & Trade is Not a funding source
  - ARB's sale of allowances is an illegal tax
- Morningstar Packing v. ARB
  - Revenues raised are an illegal tax
  - Violates Props 13 & 26
- Combined Hearing August 28, 2013