

California's Cap-and-Trade Voluntary Renewable Electricity Program

Outline

- Cap-and-Trade Overview
- Purpose of the Voluntary Renewable Electricity Account (VRE) Holding Account
- VRE Program Requirements
- Application Process
- Allowance Retirement Process
- Questions
- Next Steps

What is Cap and Trade?

- A market-based mechanism that limits total greenhouse gas (GHG) emissions from regulated sources and declines over time to achieve economy-wide emissions reductions
- Part of a suite of complementary measures (including the Renewables Portfolio Standard and Low Carbon Fuel Standard, among others) that will collectively reduce GHG emissions to 1990 levels by 2020
- Participants are required to surrender one compliance instrument (allowances and offsets) for each metric ton of covered GHG emissions
- Compliance instruments may be traded subject to reporting requirements and restrictions

Goals of the Program

- Reduce GHG emissions
- “Price” emissions to incentivize change
- Spur innovation in low emissions and efficient technologies
- Complement existing programs to reduce smog and air toxics
- Ensure AB 32 reduction mandates for GHG are realized through strict limit
- Flexible mechanism—allows covered entities to find most cost effective reductions

Who is Covered under the Cap-and-Trade Program?

- Starting in 2013, stationary sources emitting at or above 25,000 metric tons of CO₂e per year
 - Large industrial sources
 - Electricity generation and importers of electricity
- Beginning in 2015, combustion from smaller emissions sources will be captured by assessing a compliance obligation on fuel suppliers
 - Transportation fuels
 - Residential and commercial use of natural gas

What is Required of Covered Entities?

- Register with ARB
- Report GHG emissions annually
- Surrender compliance instruments to match covered emissions at the end of each compliance period
 - Reductions are program wide, not facility specific
- Comply with recordkeeping, market, and verification rules, as well as with other program requirements

Purpose of the Voluntary Renewable Electricity Account

- Recognize voluntary GHG emission reductions, which help to meet the declining cap
- Support the growth of the voluntary renewable energy sector
- Support the reduction in cost for voluntary renewable electricity systems
- Promote new technology

VRE Holding Account

Voluntary Renewable Electricity Holding Account

- Section 95831 of the regulation provides for the creation of a holding account into which the Executive Officer deposits allowances according to the schedule in the regulation
- Allowances remain in VRE Holding Account until retired by ARB
- 7 million metric tons total

Program Requirements

- Section 95841.1 outlines requirements to have allowances retired
- Electricity must be directly delivered to CA grid
- Generator must be RPS eligible, as determined by CEC
- Generator must be new and not served load prior to 2005
- RECs must be retired

Application Process

- End-User, or agent acting on behalf of the end-user, applies no later than July 1, beginning in 2014, for previous year generation
- Provide contract, invoice or settlement data for purchase/sale of electricity or RECs representing the electricity
- Provide proof of REC retirement
- Provide quantity of MWhs

Application Process

- Signed attestations, delivered by certified mail
 - No double counting
 - Subjects entity to regulatory requirements and enforcement
- Systems smaller than 200kW
 - Follow SB 1 requirements
 - Submit copy of incentive claim form
 - If RECs were created they must be retired

Retirement Process

- ARB staff will verify documentation submitted
- ARB will use default emission factor to convert eligible MWhs to metric tons
- ARB retires allowances from the VRE account
- Voluntarily Associated Entity may also register in CITSS, purchase allowances at auction or on the secondary market, and retire allowances

Retirement Process

- First come – first served basis
- Once the allowances have been depleted, then the account will be closed
- ARB will periodically publish the remaining number of allowances available for retirement

Next Steps

- Cap-and-Trade Program begins January 1, 2013
- Retirement of allowances begins in 2014, for voluntary electricity contributions in 2013
- ARB Website for Voluntary Renewable Electricity:
 - <http://www.arb.ca.gov/cc/capandtrade/renewable/renewable.htm>

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