

# California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms

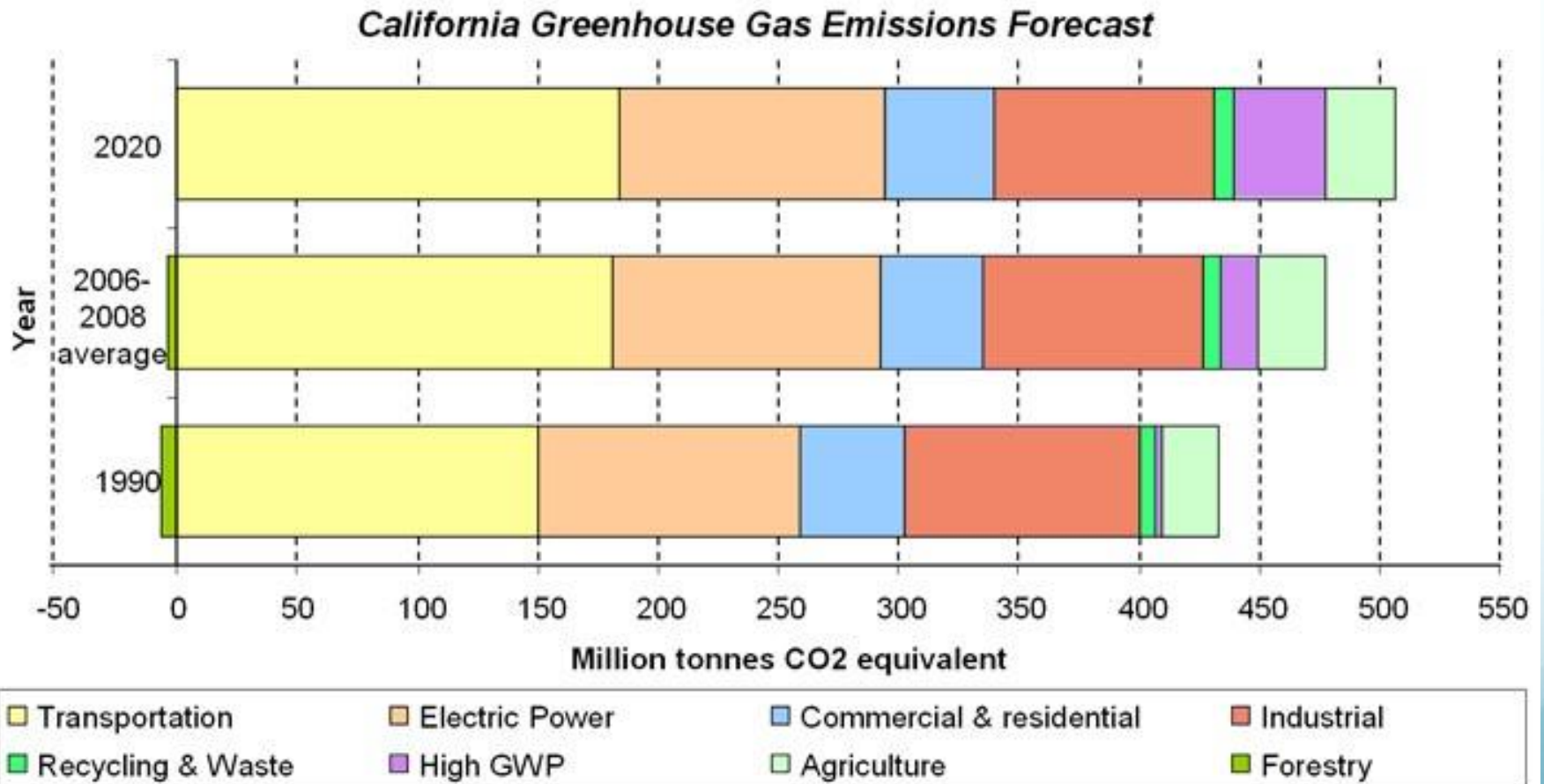
Transportation Fuels in the Cap

California Air Resources Board  
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# Who Is Covered in California's Cap-and-Trade Program?

- Stationary sources of emissions at or above 25,000 metric tons of CO<sub>2</sub>e per year
  - Large industrial sources (e.g. cement, refineries, oil and natural gas producers)
  - Electricity generation and imports
- Upstream coverage of small combustion emission sources (at fuel provider—e.g. fuel wholesaler, or first entity to offer fuel on the market)
  - Transportation fuels (beginning in 2015)
  - Residential and commercial use of natural gas (beginning in 2015)

# Transportation is a Major Contributor to Greenhouse Gas Emissions in California



# Why Include Transportation?

- Transportation accounts for about 40 percent of the greenhouse gas emissions in California
- Broad coverage of sources to provide more opportunities for reductions and trading
- Helps reduce emissions by 2020, but also helps drive long-term transition to cleaner fuels
- Consistent price on greenhouse gas pollution throughout the economy and ensures a level playing field across all fuels and fuel consumers
- Delay introduction until 2015 to allow time to work through reporting issues

# How Is Transportation Included?

- Point of regulation is the distribution terminal
- Compliance obligation begins in 2015  
(beginning of second compliance period)
- No free allowance distribution for transportation fuels

# Challenges

- Transportation sector is also regulated via direct regulations
  - Low-carbon fuel standard
  - Clean car tailpipe standards
  - Land use