



CalFACT

Californians
For A Carbon Tax

Cap and Trade Reform

Senate Bill 775

Agenda

- Introduce CalFACT
- Background on Cap and Trade
- Background on Environmental Justice concerns
- Details of SB775, AB378, and AB151
- CCL principles for state level carbon pricing
- How to get involved
- Q&A



Californians for a Carbon Tax (CalFACT) is a grassroots organization promoting equitable, efficient, and effective carbon pricing in California.

CalFACT Founders and Steering Committee

Jan Dietrick (Ventura)

Marti Roach (Contra Costa County)

Mary Selkirk (Alameda County)

Robin Cooper (San Francisco)

Tony Sirna (Alameda County)

Valerie Bane (Sacramento)

Background on Cap and Trade

- **Global Warming Solutions Act of 2006 - AB 32**
- 2010 Air Resources Board approves Cap and Trade
- 2013 First Compliance period begins for large emitters and utilities
- 2015 Transportation fuels were brought under the cap

Cap and Trade now covers 85% of California greenhouse gas emissions

Current Cap and Trade System

- Steadily declining cap on emissions.
- Emissions allowances are auctioned.
- 50% of allowances are allocated for free to protect energy intensive businesses
- Carbon Offsets can be used for up to 8% of compliance each year
- Allowances can be banked from year to year
- Floor price of \$13.56 rising at 5%/year
- Allowance Price Containment Reserve (APCR) provides soft cap on price at \$60 above floor.
- Revenue goes to Greenhouse Gas Reduction Fund.

Current Cap and Trade System

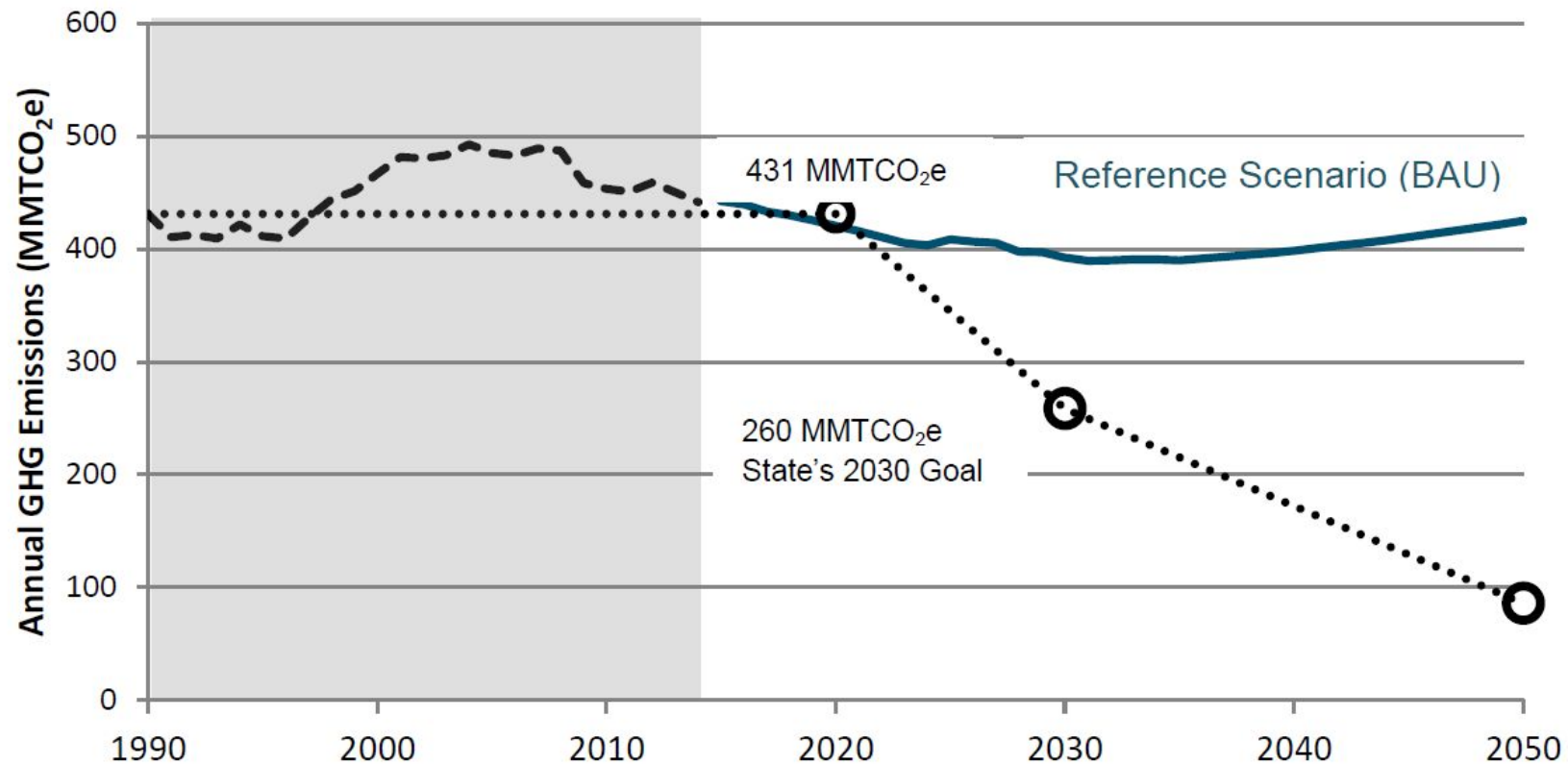
- Emissions Limits strengthened by SB32 (2016)
 - 40% below 1990 levels by 2030 and 80% below by 2050
- AB 197 (2016) requires prioritizing direct emissions reductions
- Not legally clear if Cap and Trade has been authorized beyond 2020. Governor wants it officially extended by legislature.
- C&T Extension requires a 2/3rds majority due to Prop 26 (2010)
- Democrats currently have a 2/3rds majority but level of support is not clear.

Issues with Cap and Trade

- Cap is currently above actual emissions
 - Recession
 - Innovation
 - Complimentary Programs (renewable portfolio standard, low carbon fuel standard, etc)
- Complimentary programs are not additional to the Cap
- Offsets may not be real reductions
- Resource shifting – out of state electricity
- Not reducing harmful emissions in affected communities

California emissions limits under SB32

40% below 1990 levels by 2030 and 80% below by 2050



Environmental Justice

According to the US EPA: Environmental justice is the fair treatment and meaningful involvement of all people regardless of race, color, national origin, or income with respect to the development, implementation, and enforcement of environmental laws, regulations, and policies.

- Environmental Justice groups represent local residents or those who work as advocates with them addressing issues of health and other impacts from local polluters.
- AB32 created an Environment Justice Advisory Committee (EJAC) which consults with the Air Resources Board (ARB).

EJ Concerns with Cap and Trade

Promises of reduced pollution have not come to pass.

Some of EJAC's Recommendations to ARB

- End offsets
- End free allowances
- End trading of allowances
- Prioritize direct emissions reductions
- Directly cap harmful emissions
- Price carbon directly

EJAC Declaration

The California Environmental Justice Movement further declares that it supports a carbon tax, used in combination with direct emissions reductions, as a policy to replace the revenue generating component of Cap and Trade and to benefit environmental justice communities, support clean energy development, fund a just workforce transition to clean energy, invest in communities' capacity and infrastructure to adapt to climate change, and return a substantial portion to the public so that Californians, especially low-income residents, receive financial support during the transition to a clean energy economy.

Senate Bill 775 – Cap and Trade Reform

SB775 provides a much-needed overhaul of California's cap and trade system to make it more effective at reaching our climate goals and more equitable for California residents and businesses.

Introduced May 1, 2017 by Senator Bob Wieckowski and Senator Kevin De León.

SB775 – Overview/Talking Points

- Polluters will pay a predictable and steadily rising price on carbon emissions.
- All California residents will receive a quarterly dividend check that will protect them from price increases.
- SB775 provides investment to speed the transition to a clean energy future.
- A border adjustment will protect jobs in California by discouraging businesses from relocating to where they can emit more CO₂, and motivate other countries to adopt similar carbon pricing policies.
- This bill provides more price certainty that will help large and small businesses make plans and decisions that will support their success during the clean energy transition.
- This bill addresses some environmental justice concerns by requiring all polluters to pay, and motivating real emissions reductions in the hardest hit communities.

Polluters will pay a predictable and steadily rising price on carbon emissions

- SB775 is a hybrid between a cap and trade and a steadily rising carbon tax.
 - An emissions cap is set and allowances are auctioned within a floor and ceiling price.
- The steadily rising floor and ceiling prices provide predictability while also offering some flexibility to allow prices to vary as our economy grows and changes.
- Protects businesses and consumers from sudden and unpredictable spikes
- Helps businesses and consumers plan for investments in emissions reduction.
- Provides for better revenue predictability for funds that are invested by CA in climate infrastructure and clean energy research.

SB775 - Pricing

- Emission allowances would be auctioned
- Floor price would start at \$20 in 2021, increasing by \$5/year in 2023 plus inflation
 - Current floor price is \$13.57 and rises slowly at 5%/year.
- Ceiling price would start at \$30 in 2021 and increase by \$10/year plus inflation.
- Ceiling would provide a hard cap on price and a soft cap on emissions
 - Unlimited allowances sold at ceiling price.

SB775 - Per Capita Dividend

- California Climate Dividend Fund – % of revenue not yet set
- Will support and protect many who would otherwise be challenged by rising prices.
- Low-income households will benefit the most from their climate dividend checks.
- Provides for ongoing support from voters which is critical as the price rises.
- CCL studies show that dividends can boost the economy and create jobs.
- Dividend would go equally to all California residents including undocumented people, homeless, and the unbanked.

SB775 - Reinvestment Funds

A small portion of the revenue will be invested in two funds

- California Climate Infrastructure Fund
- California Climate and Clean Energy Research Fund.

No details yet on how these funds would be managed.

Bill does not yet specify amounts to different funds. Author says vast majority would go to dividends.

SB775 – Border Adjustment

- Puts a matching carbon price on carbon intensive imports, and a matching rebate for exports.
- Protects California's economy and California jobs
- Incentive to other economies to set carbon prices
- Provides a model for other national and sub-national legislation
- Concerns regarding US Constitution's Commerce Clause.
 - If it struck down by the courts, free allowances can be issued as backup.

SB775 - Environmental Justice

- Removes Offsets
- Removes Free Allowances
- Should motivate reductions at all facilities since price will be paid by all emitters.
- Higher price should motivate faster reductions
- The dividend provides for broad reach to all Californians, including homeless, unbanked, under banked, and undocumented.
- Does not address all EJ concerns.
 - Some talk of tying it to AB378 which addresses air quality.

SB775 – EJ Support

The following groups have shown support for SB775 (though they may have some reservations).

- California Environmental Justice Alliance (CEJA),
- Center for Race, Poverty and the Environment (CRPE),
- Asian Pacific Environmental Network (APEN),
- Legislative Council for Justice and Accountability.

SB775 - Opposed

- Environmental Defense Fund has expressed opposition.
- Food and Water Watch is planning to as well.

AB378 - Greenhouse gases, criteria air pollutants, and toxic air contaminants

- Submitted by California Assembly Members Christine Garcia, Eduardo Garcia, and Chris Holden
- Requires Air Resources Board (ARB) to take into account the social cost of carbon in their policies
- Prioritize direct emission reductions.
- No individual facility can increase its greenhouse gas emissions beyond 2014-2016 average.
- ARB can adopt no-trade zones or facility-specific declining emissions limits where pollution creates a significant health impact.
- Requires the ARB to adopt pollution emission standards for each industrial facility, and then prohibit allocation of allowances to any facility not meeting those standards.

AB151 – Cap and Trade Extension

- Submitted by Assembly Members Gipson, Grayson, Low, and Rubio
- Basically extends ARB's authority to continue cap and trade beyond 2020 as currently designed.

CCL's State Level Carbon Pricing Policy

CCL is open to supporting state level carbon pricing policies that :

- Provide for greater emissions reductions than current law
- Protect low-income households
- Harmonize well with Carbon Fee and Dividend, and
- Are politically viable for the state.

CCL will not be lobbying directly for state level pricing but may endorse efforts that meet the above criteria.

CCL volunteers should work under a different organization (eg CalFACT) when discussing state policy with legislators.

CCL has not yet made an endorsement of SB775 or any CA bill.

How to get involved personally

- Sign up at www.calfact.org
- Get educated – www.calfact.org/senate-bill-775/
- Find your CA Reps – findyourrep.legislature.ca.gov
- Call or write your STATE legislators – <http://calfact.org/take-action-sb775/>
- Write a Letter to the Editor or Op-Ed
- Meet with your State Senator and Assembly Member (identify yourself as CalFACT or as concerned citizens)
- Reach out to local climate groups and share info
- Reach out to EJ groups and ask them what they think
- Reach out to business and community leaders.
 - Ask them to officially support the bill and/or lobby with you.

How your CCL Chapter could get involved.

- Create a team to work on CA State Carbon Pricing
- Your chapter can decide to endorse SB775, AB378, and/or AB151
- Use this as an opportunity to discuss carbon pricing with business and community leaders and build relationships with them.

Questions and Answers