

Important Process Information Regarding Cap-and-Trade Regulatory Updates

Issued February 28, 2023

The California Air Resources Board (CARB) is issuing this notice to inform market participants and the public of upcoming topics and timing of activities to inform potential regulatory amendments to the Cap-and-Trade Regulation. In December 2022, the CARB Board approved the *2022 Scoping Plan for Achieving Carbon Neutrality*. The Scoping Plan Update lays out a path to achieving carbon neutrality by 2045 and establishes a new, more ambitious, mid-term target for 2030 that aligns with the science of achieving the 2045 goal. The list of topics below is a subset of areas staff will explore for potential updates to the Regulation. Some topics will evaluate how to align the program with the 2022 Scoping Plan Update. The list is not inclusive of all areas that may be included in a subsequent staff proposal for regulatory amendments. CARB is also funding several studies related to the implementation of the Cap-and-Trade Regulation that may help inform potential amendments. The specific rulemaking schedule will be informed by the scope of topics to be included in the rulemaking, timing of interim and final deliverables on contracts, discussions with other agencies, and public feedback over the course of topical workshops. Staff plans to put out a rulemaking schedule over the summer. An initial workshop to inform potential changes to the program was held November 2022. Additional workshops will begin Spring of this year. The actual rulemaking will follow the Administrative Procedure Act with all applicable economic and environmental analyses and a robust public process. A similar *notice* was issued by the Government of Québec. CARB and the Government of Québec will work in collaboration on any potential updates pertaining to our linked carbon market.

Key Topics and activities:

- Re-evaluation of potential implications of 5% overall banked allowances with report back to Legislature by the end of the year
- Evaluation of caps in the context of the increased ambition in the 2022 Scoping Plan
- Retrospective electricity sector leakage study
- Industrial sector leakage study to help inform the AB 398 leakage evaluation study due to the Legislature by the end of 2025
- Updates to offset protocols based on the latest science
- Potential updates to reflect the Extended Day Ahead Market as being developed by CAISO
- Mechanisms to protect low-income households from disproportionate impacts of energy prices
- Inclusion of carbon dioxide sequestration and removal projects developed under an approved SB 905 Carbon Capture, Removal, Utilization, and Storage Program