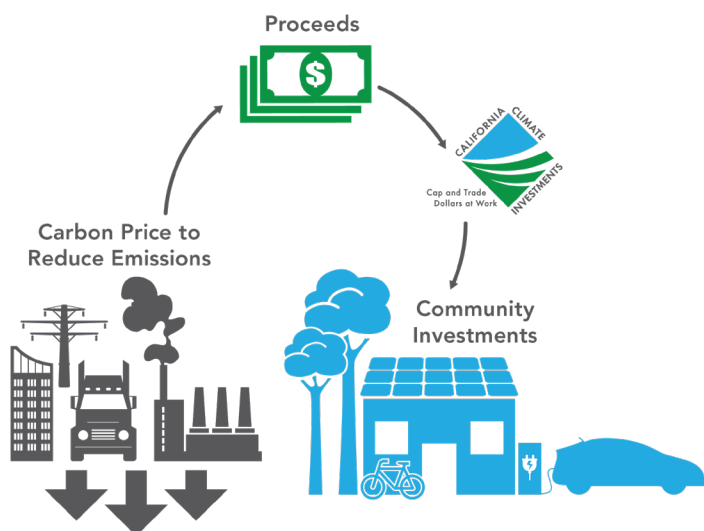


Cap-and-Trade Program Fact Sheet

The Cap-and-Trade Program is a foundational part of California's climate policy portfolio and needs to be extended to help achieve the state's goal of carbon neutrality by 2045. The program was first authorized by AB 32 in 2006, and extended in 2017 when the legislature passed AB 398 with a two-thirds vote, clarifying the role of the program post-2020 and creating additional community air protection efforts.



How It Works

Cap-and-trade establishes a declining limit on major sources of greenhouse gas (GHG) emissions throughout California and creates a powerful economic incentive for polluters to invest in cleaner, more efficient technologies and energy.

It is one of a suite of regulations and incentives identified by the state's climate change scoping plan to cost-effectively achieve California's greenhouse gas emission reduction goals. Emissions reductions achieved under other programs, such as the Renewables Portfolio Standard and Low Carbon Fuel Standard, count as compliance with the Cap-and-Trade Program.

Program Features

Cost Containment

Per AB 398, the program includes a price ceiling and price speed bumps to protect against price spikes. Offsets provide a limited and lower cost compliance option. Multi-year compliance periods allow smoothing of annual variability. Industry receives some free allowances to minimize emissions leakage and to remain competitive. Limited banking of allowances supports planning and hedging to reduce compliance costs.

Improving Air Quality

The program has been scientifically proven to reduce air pollution in addition to greenhouse gas emissions and is aligned with efforts to continue to reduce harmful air pollution. It also provides critical funding for community air protection efforts.

Offsets

Carbon offset projects are a small but important part of the program that keeps compliance costs low and ensure California can achieve its climate goals. The design of the compliance offset program ensures emissions reductions are real, additional, and permanent, and it has been successfully litigated. Offsets can be used to cover only 4% of an entity's compliance requirements through 2025 and 6% going forward. Half of the offsets used must be from projects that provide direct environmental benefits to California and offsets are supported by private sector investment in reduction activities.

Information Transparency

The California Air Resources Board provides a wide range of information on every aspect of the Cap-and-Trade Program including data on allowance allocation, compliance detail, ARB offset credit issuance, auctions, market activity, and the Voluntary Renewable Electricity Program.



California Climate
Investments

Cap-and-Trade
Program Data Dashboard



Cap-and-Trade By the Numbers

Program Basics



4-6x

less costly than prescriptive regulations on the energy and industrial sectors



80%

of state's greenhouse gas emissions covered



400

covered facilities



400

private investors



12

years of successful implementation



11

years linked with Québec



8

regulatory updates

Revenue and Reinvestment



\$32 billion

generated for the Greenhouse Gas Reduction Fund (GGRF)



75%

of appropriated GGRF dollars benefiting priority populations



\$15 billion

in energy bills credits for utility customers



50

quarterly auctions



\$12 billion

to minimize emissions leakage and protect California jobs and businesses

Carbon Offset Projects



273 million

verified compliance offsets issued



\$1.5 billion

in verified offsets issued to tribal projects



6

approved offset project types