

Western Climate Initiative



The Western Climate Initiative

Southern Arizona Environmental Management Society
September 23, 2010
Tucson, AZ

WCI History

- Motivated by a common concern over the effects of climate change and the lack of federal action
- February 2007: MOU signed by AZ, CA, NM, OR, WA
- By July 2008: Joined by BC, MB, MT, ON, QC, UT
- In order to join WCI Partners had to:
 - Establish rigorous GHG reduction goals and plans to meet their goals
 - Adopt GHG emission standards for vehicles
 - Join The Climate Registry

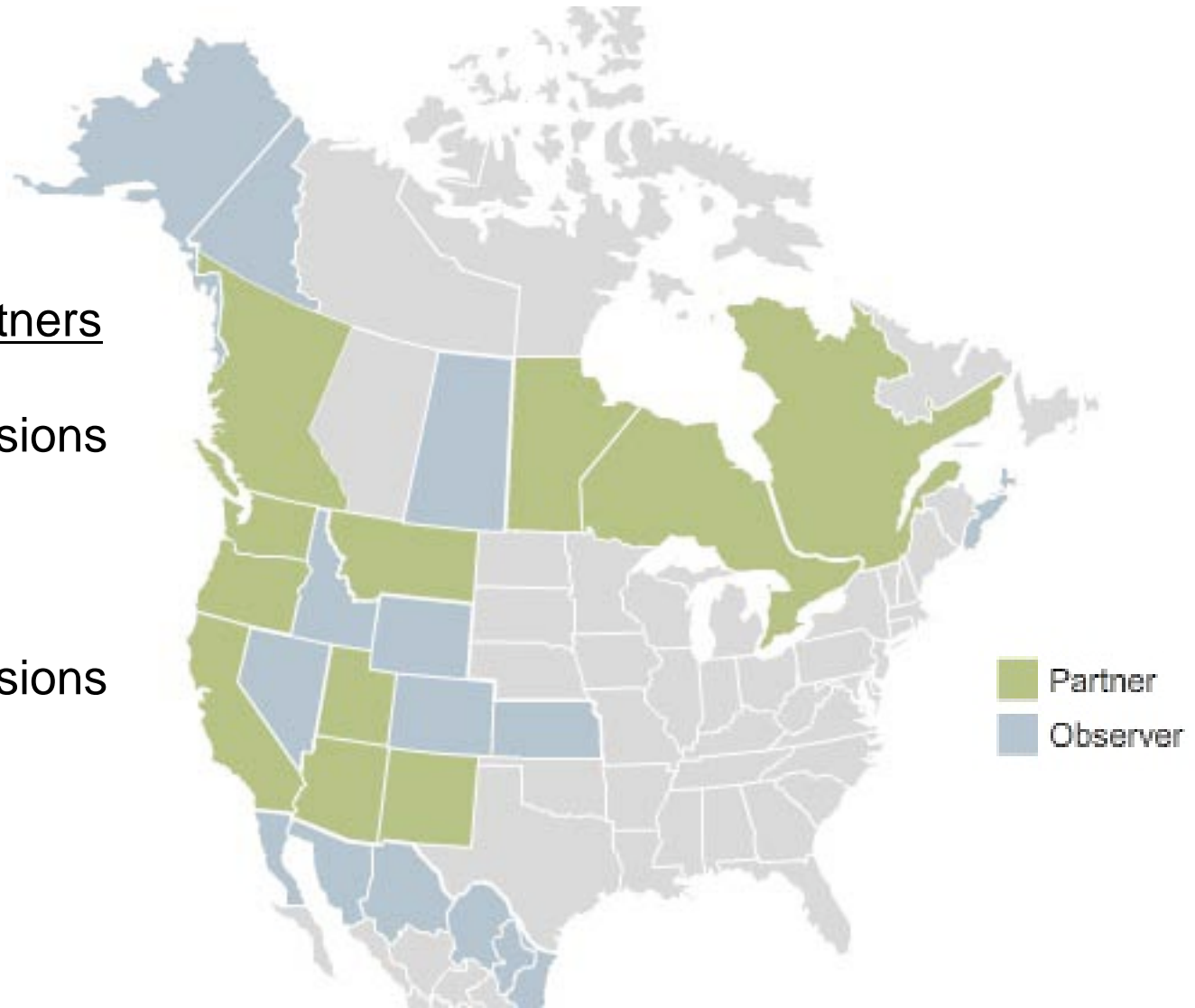
WCI Partners and Observers

Canadian Partners

- 76% of GDP
- 50% of emissions

U.S. Partners

- 20% of GDP
- 13% of emissions



WCI History

- August 2007: Established a regional goal of reducing emissions 15% below 2005 levels by 2020
- September 2008: Issued design recommendations for a regional cap-and-trade program
- July 2010: Released detailed program design
 - Based on extensive analysis and stakeholder consultation
 - Provides a roadmap to inform Partners in their development of implementing regulations
 - Recognizes a comprehensive approach, including C&T, is needed to reduce emissions and stimulate a green economy

Program Benefits

- Reduces costly impacts that climate change will have on water resources, natural ecosystems, air quality, and environment-dependent industries like agriculture and tourism
- Provides incentives for clean-energy technologies
- Creates green jobs
- Increases energy security
- Protects public health

Arizona Executive Order 2010-06

Governor's Policy on Climate Change

- “AZ will continue to be a member of the WCI”
- “AZ will not implement the C&T proposal ... particularly during this economic downturn”
- AZ agencies to continue purchasing clean vehicles
- Climate Change Oversight Group
 - Monitor WCI and federal developments
 - Advise governor when providing AZ's input to WCI members, Congress, EPA, and other agencies
 - Consider what action AZ should take with its tailpipe emissions rules

Primary Aspects of the C&T Program

- Regional cap established through linking of individual C&T programs
- Five states and provinces planning to begin their caps in 2012, representing ~70% of WCI emissions
- Emissions monitoring and reporting
 - C&T program requires precise and consistent reporting
 - Relying primarily on EPA reporting rule
 - Avoiding duplicative requirements on facilities

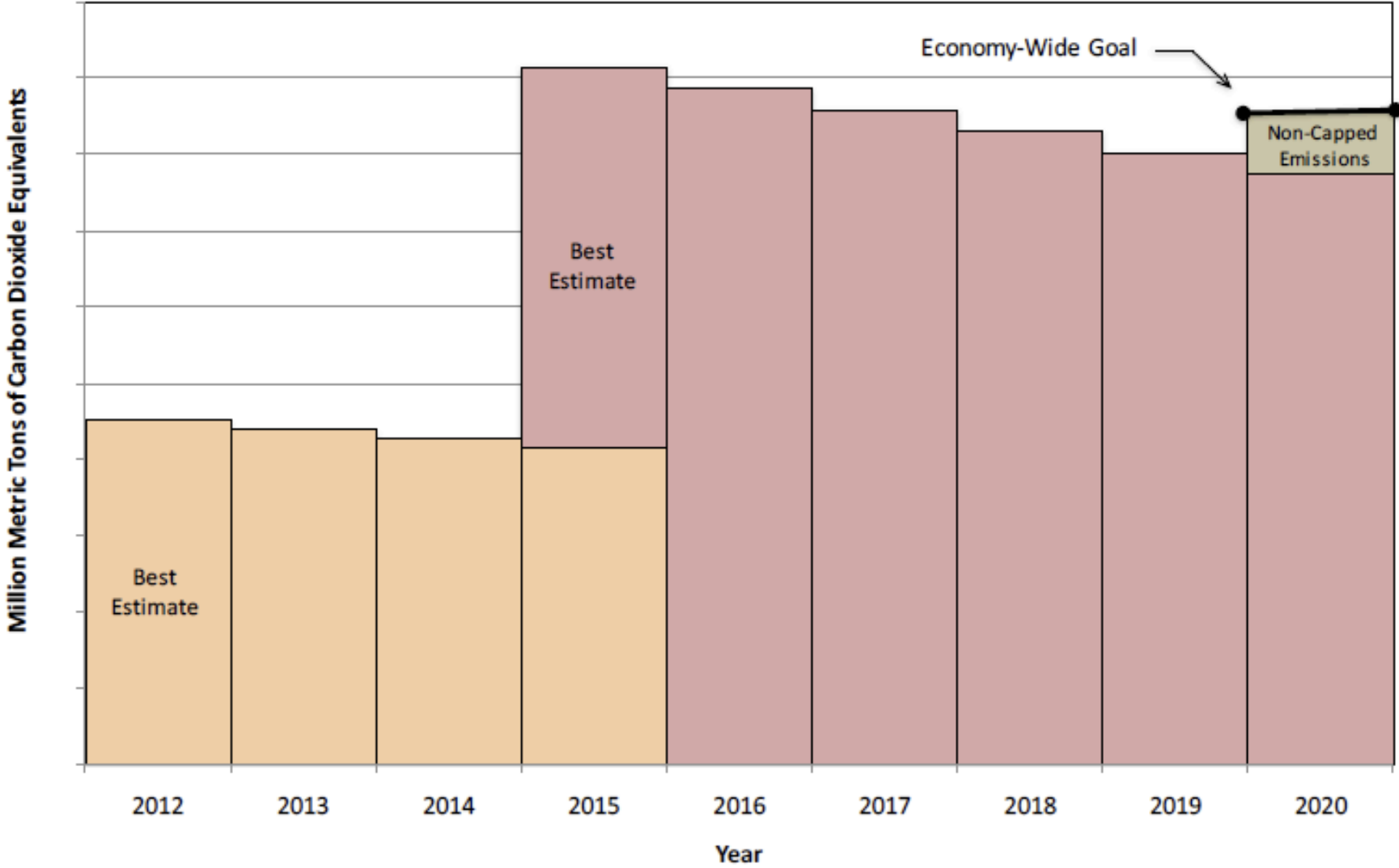
Primary Aspects of the C&T Program

- Leakage
 - Avoid the transfer of industrial production, and the associated employment and emissions, to areas outside the WCI as a result of the cap's compliance costs
 - First jurisdictional deliverer approach for the power sector
 - Potential free allocation to other industrial sectors at risk of leakage or in need of transition assistance

Primary Aspects of the C&T Program

- Allowance allocation and auctioning
 - An allowance is a tradable permit to emit one metric ton of carbon dioxide equivalents
 - Setting allowance budgets and distributing allowances is the prerogative of each state and province, although coordination is occurring through the WCI
 - Coordination of freely allocated allowances
 - Common auction platform and auction design
 - Minimum 10% auctioned in 2012, rising to minimum of 25% by 2020

Graphic Illustration of a Jurisdiction's Allowance Budget



Primary Aspects of the C&T Program

- Market oversight
 - Maintain transparent and competitive marketplace for allowances / avoid supply and price manipulation
- Offsets
 - Qualifying emission reductions outside the capped sectors can generate offset credits for use by capped sources
 - Promotes broader reductions throughout economy and reduces compliance costs
- Early reduction allowances
 - Reductions in 2008-11 may be rewarded with free allowances

Scope, Timing, Points of Regulation

Source	In Scope	Point of Regulation
Electricity generation and electricity imports	2012+	First jurisdictional deliverer
Combustion at industrial and large commercial facilities, industrial process emissions	2012+	Point of emission
Combustion at small (< 25k tpy) industrial, commercial, and residential facilities	2015+	Upstream (where fuels enter commerce in the WCI Partner jurisdiction). Precise point TBD.

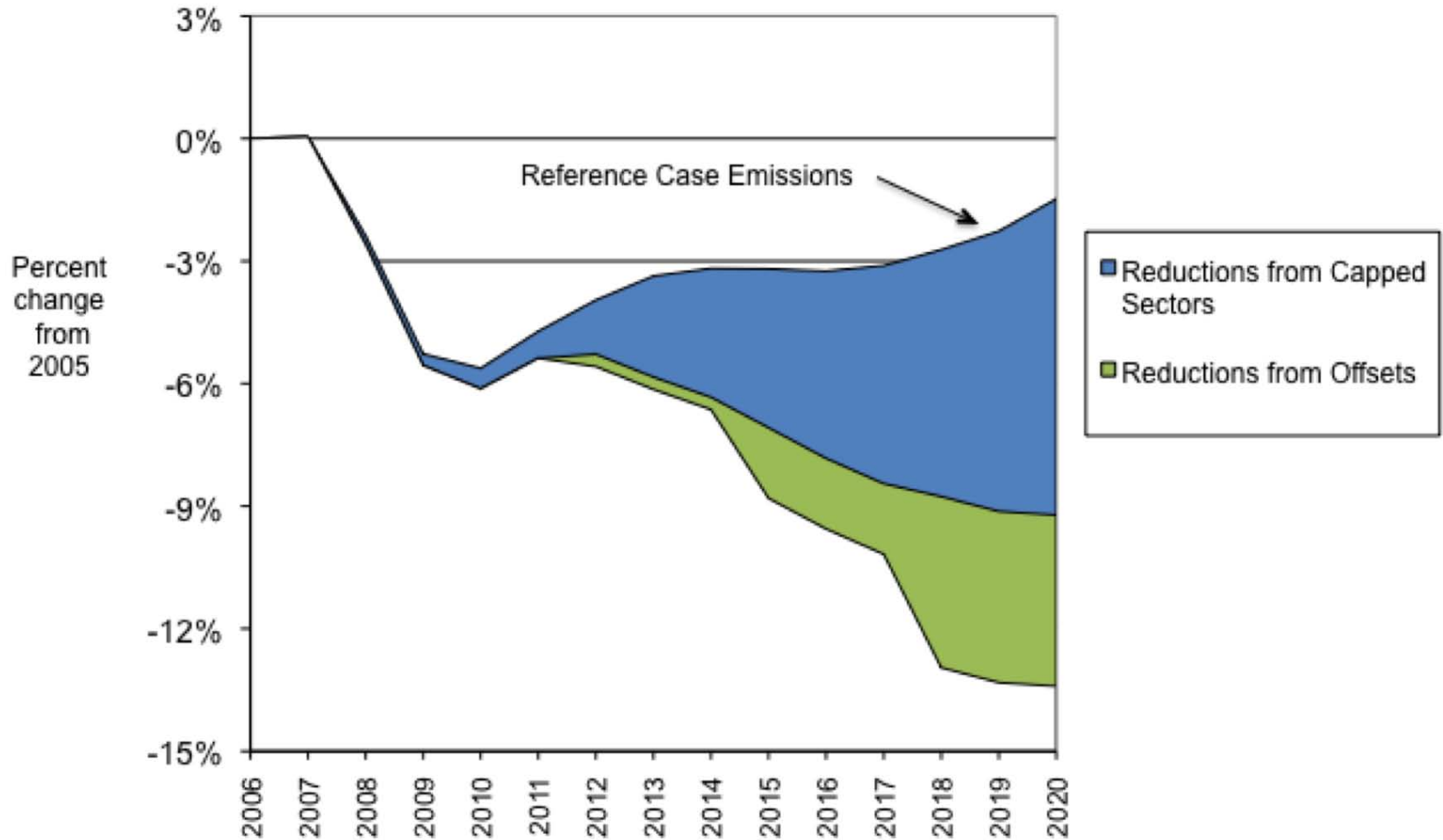
Scope, Timing, Points of Regulation

Source	In Scope	Point of Regulation
Transportation fuels	2015+	Upstream (where fuels enter commerce in the WCI Partner jurisdictions, generally at a terminal rack, final blender, or distributor). Precise point TBD, may vary.
Biomass	No, if jurisdiction determines carbon-netureal	Reporting only
Biofuel combustion	No	Reporting only
Upstream biofuel and fossil fuel	TBD	
Agriculture and forestry	No	

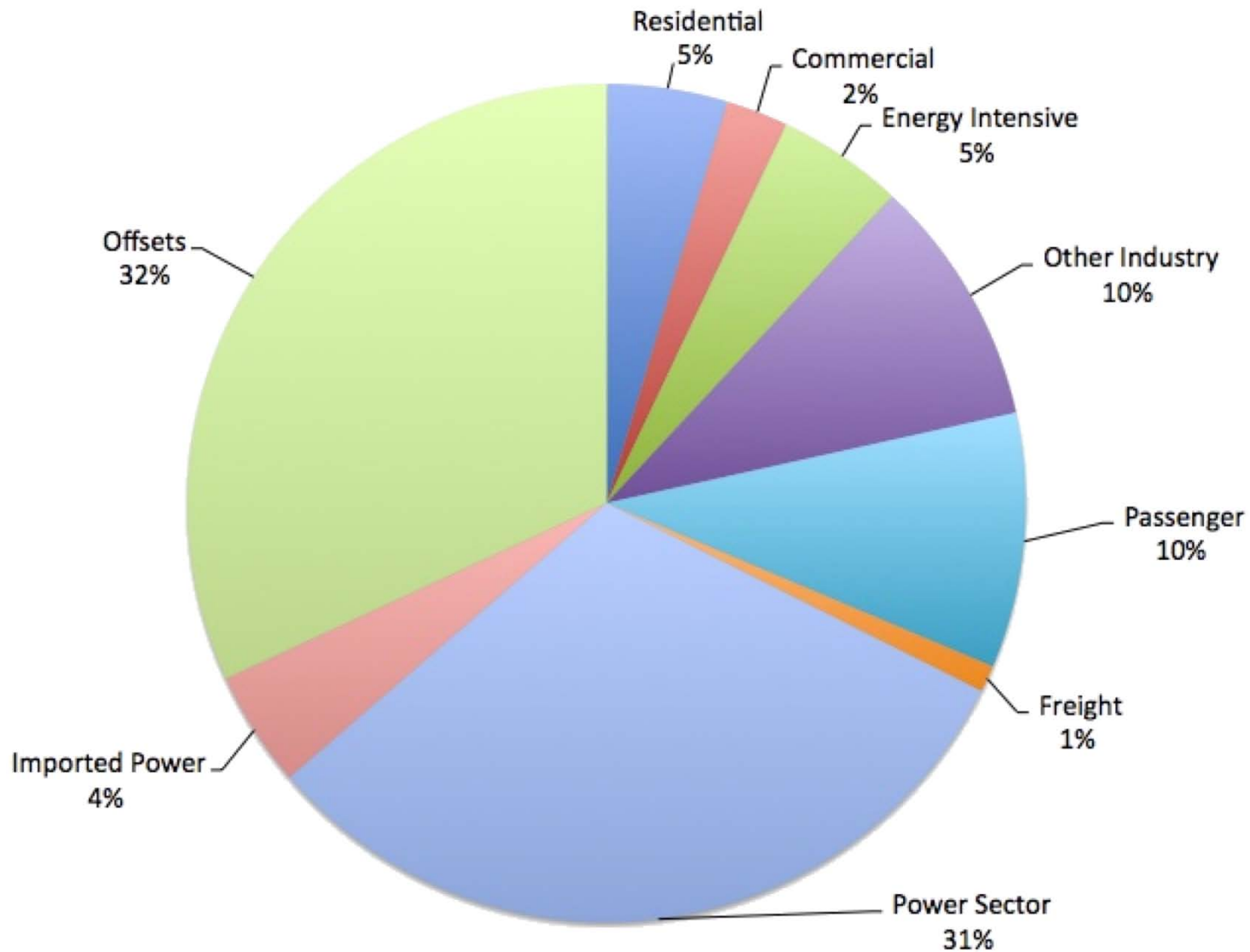
Economic Analysis

- Regional emission reduction goal can be met with a small net savings to the economy
 - Net savings of \$100 billion (0.2% of economy), resulting from greater efficiency, less fuel use, and less vehicular use
- Allowance prices forecasted at \$33 in 2020
 - Prices can vary from \$13-50 and savings from \$30-200 billion depending on assumptions regarding economic growth, energy prices, and complementary policies
- Offsets and complementary policies are key to containing costs

Greenhouse Gas Emission Reductions Under the WCI Program, 2006-2020



Source of Emission Reductions Under the Cap



Next Steps for the WCI

- Complete outstanding WCI program design issues
- Put in place administrative systems and infrastructure
- Continue advancing core policies and programs
- Work closely with federal governments and other regional organizations to promote national and international action and ensure coordination

For More Information

- Visit website

<http://www.westernclimateinitiative.org>

- Join mailing list

- Available at website above

- Contact me

Lee Alter

WCI Assistant Project Manager

lalter@me.com