Proposed Amendments to the AB 32 Cost of Implementation Fee Regulation

October 20, 2011
Today’s Presentation

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Introduction
Introduction

• AB 32 established a comprehensive, multi-year program to reduce greenhouse gas (GHG) emissions

• AB 32 provides ARB authority to adopt a fee schedule to be paid by GHG emissions sources

• Fee Regulation originally endorsed by the Board in September 2009
AB 32 Fee Revenue
AB 32 Fee Revenue

- State’s annual AB 32 implementation costs
- Repay loans, with accrued interest, that were utilized in the first three years of the program (FYs 2007-2008 through 2009-2010)
AB 32 Fee Revenue

• Fee applied to approximately 80 percent of statewide GHG emissions

• Approximately 300 fee payers (such as oil refineries, utilities, cement producers)

• Loan repayment during for the first four years of fee collection only
  – Loans will be paid off in two more years; which should lower revenue needs by > 40 percent

• AB 32 implementation costs are approved by the Legislature in the State budget
### AB 32 Fee Revenue

<table>
<thead>
<tr>
<th>State Agencies Receiving AB 32 Fee Funding</th>
<th>FY 2011/2012 in Thousands (rounded)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARB</td>
<td>$32,930</td>
</tr>
<tr>
<td>Cal/EPA</td>
<td>$590</td>
</tr>
<tr>
<td>Dept. of Resources Recycling and Recovery</td>
<td>$500</td>
</tr>
<tr>
<td>Dept. of Public Health</td>
<td>$320</td>
</tr>
<tr>
<td>State Water Resources Control Board</td>
<td>$540</td>
</tr>
<tr>
<td>Dept. of Water Resources</td>
<td>$320</td>
</tr>
<tr>
<td>Dept. of Housing and Community Development</td>
<td>$100</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$35,300</td>
</tr>
</tbody>
</table>
AB 32 Fee Revenue

Collection Status:

- ARB sent out invoices for fiscal year (FY) 2010-2011 to collect $62.1 million total required revenue
  - $35.2M in program costs, $26.9M in loan repayment
  - Top 10 fee paying entities provide about 75 percent of fees collected; invoices range from approx. $100 to $7M/year

- Recently mailed FY 2011-2012 invoices to collect $61 million total required revenue
AB 32 Fee Regulation Details
AB 32 Fee Revenue Sources

• Sources of GHG emissions “upstream” from widely used fossil fuels, including:
  - Gasoline
  - Petroleum coke
  - Diesel
  - Catalyst coke
  - Coal
  - Refinery gases
  - Natural gas

• Non-combustion GHG process emissions from refineries and cement manufacturers

• GHG emissions associated with the generation of both in-state and imported electricity
AB 32 Fee Regulation Details

- Fees are based on annual fuel and GHG emissions data
- Data is reported using ARB’s Online GHG Reporting Tool
- Fee liability is determined as follows:
  \[
  \frac{(\text{loan repayment} + \text{annual program cost})}{(\text{emissions} + \text{reported fuel data})}
  \]
- Fee rate currently about $0.17/metric ton CO₂
Proposed Amendments
Proposed Amendments

- Align with the Regulation for the Mandatory Reporting of GHG Emissions (MRR), where feasible
- Consulted with the public and regulated entities
- Public workshop held on January 21, 2011
- Amendments are technical in nature and do not significantly change applicability or fee calculation
- Several proposed changes are clarifications
- Overall program framework unaffected
Proposed Amendments

• Applicability
  – Conform with MRR on applicability threshold for electricity generating facilities (EGFs) from 2,500 MTCO$_2$ to 10,000 MTCO$_2$e
  – Between 20-25 EGFs will no longer be subject to fee

• Definitions

• Minor adjustments to the calculation of fees

• Minor changes to Reporting Requirements
Potential Impacts
Potential Impacts

• Environmental Impacts
  – No potential significant environmental impacts identified

• Economic Impacts
  – No net change in collected revenue
  – Between 20-25 facilities no longer pay fees on electricity generation
  – Several factors contribute to slight variations in fees assessed for 2011 and subsequent report years
Suggested Modifications
Suggested Modifications

• Modifications to conform with recent MRR and Cap-and-Trade 15-day Changes
  – Definitions
  – Align calculation of fees for electricity delivered into California

• Response to stakeholder comments
  – Clarify reporting requirements for natural gas deliveries
Recommendation
Recommendation

- Staff recommends that the Board approve the proposed amendments and suggested modifications to the AB 32 Cost of Implementation Fee Regulation