



DRAFT OUTLINE (ANNOTATED) FOR WHITE PAPER: SoCAL CLIMATE SOLUTIONS EXCHANGE

Forward

The purpose of the White Paper and why it is being developed will be described.

Acknowledgements

The contributions of the Technical Advisory Group will be acknowledged, and a list of members will be included.

Executive Summary

The main messages in the White Paper will be summarized.

Introduction/Background

Introduction –The White Paper will represent staff’s initial concepts for the SoCal Climate Solutions Exchange, which was one of the Chairman’s initiatives for 2008. The White Paper will be discussed at the May Governing Board meeting and staff will get the Board’s direction on whether to proceed with rule development.

Background –Brief information will be provided on climate change, what is being done internationally, nationally, regionally, and at the state level, AB 32 basics, and current voluntary greenhouse gas credit markets. Why the initiative was introduced, and how the So Cal Climate Solutions Exchange can help local businesses that want to do voluntary early greenhouse gas reductions will be included. The intent is to provide incentives for reductions in environmental justice areas that can benefit from the concurrent reductions in criteria and toxic air pollution that will result from many projects.

Objectives

The objectives are to provide quantifiable greenhouse gas reductions that can be beneficial to local businesses that voluntarily reduce emissions before they are required to do so. Quantification protocols, rules and procedures for certification of reductions, registration, trading and tracking of certificates will ensure that key criteria, such as real, surplus, quantifiable, verifiable, and permanent are met. The SoCal Climate Solutions Exchange will be designed to facilitate local investments, with special provisions for Environmental Justice areas.

Short-term uses for the reductions may include CEQA mitigation. As the state and others develop mandatory command-and-control, cap-and-trade, or other greenhouse gas requirements, the SoCal Climate Solutions Exchange reductions may have use there, but specifics will be determined as these other programs develop.

Design Principles

Staff’s initial suggestions for design principles for the SoCal Climate Solutions Exchange and the AQIP are listed below. Staff will seek stakeholder input on these principles through the public process. Suggested design principles include:

Program development in an open public process
Reductions to be real, quantifiable, verifiable, surplus, permanent
Provide incentives for environmental justice areas
Program administration efficient, streamlined, timely
Fees enable the program to be self sustaining
Transparent information for public and participants

Public Process

The Technical Advisory Group membership and how they have provided input to the concepts in the White Paper will be outlined. The Board Climate Change Committee, the April Governing Board retreat, and the May Governing Board discussion of the White Paper are also important aspects of the public process.

Initial Concepts

Participation

A. Reduction Generation – Staff envisions that all facilities in the Basin and third parties could participate in generating reductions for the SoCal Climate Solutions Exchange. Staff will seek to streamline the process and minimize administrative barriers for Title V facilities.

B. Reduction Exchange - Purchasing reductions would be available to all parties, without restriction.

C. Air Quality Investment Program (AQIP) - Projects for the AQIP may be broader than stationary source projects, depending on funding, availability of reduction strategies, and greenhouse gas and other co-benefits expected. The AQIP initially will be limited to parties that are required to have GHG offsets by AQMD or CEQA mitigation by lead agencies within the District. This may be expanded to all parties once sufficient experience is gained.

Environmental Justice Considerations – The White Paper will describe the proposed criteria to be used by SCAQMD to incentivize investment in environmental justice areas, and explain why AQIP projects and incentives for reductions by facilities in these areas are beneficial. A discussion of how AQIP funding for projects in those areas can be used to improve air quality will be added.

Protocols – The White Paper will include the following elements which will need to be part of every protocol in order to ensure that reductions are taken from an appropriate baseline. In addition, reductions must be calculated accurately and be additional, or surplus to any regulations or requirements. Some of these elements may be included in the protocol itself or may be in the underlying program rules, as appropriate.

Criteria
Baseline year and calculation process
Determination of surplus

Quantification of reductions and the length of time the reductions are valid
Verification of reductions
Issuance of reduction certificates

Staff envisions that protocol development would be an on-going function. Protocols will be prioritized and developed in consultation with the CARB and the California Climate Action Registry. Applicable protocols that have already been developed and approved by those organizations will be reviewed and brought to the Governing Board for approval. SCAQMD staff will develop protocols and will also work with CAPCOA in protocol development. Protocols will go through a public process and will go to the Governing Board for approval. An appendix to the White Paper would include a list of protocols that have already been approved by CARB and the California Climate Action Registry, protocols under development, and protocols that could be developed in the future.

Exchange – There are many aspects to the SoCal Climate Solutions Exchange that would need to be developed, including:

Setting up accounts

Registering Reductions

Banking

Exchange (potential affiliation with other Exchanges)

Tracking and reporting

AQIP – An AQIP is envisioned as part of the SoCal Climate Solutions Exchange. If facilities need greenhouse gas emission reductions and are unable to make changes at their facility under one of the approved protocols, having an AQIP could be a valuable mechanism for those facilities to secure offsets for CEQA mitigation, for example. The SCAQMD staff would pool the funds collected and engage in projects to reduce greenhouse gases, with a focus on investment in environmental justice areas.

Moving Forward

Board and Stakeholder Input – Stakeholder input will be incorporated into the White Paper and discussed at the May Governing Board meeting. If the Board's direction at that meeting is to proceed with rule development, staff would continue to work with the Technical Advisory Group, the Climate Change Committee, and other stakeholders through the rule development process.

Protocol Development – If the Board direction is to proceed with development of the SoCal Climate Solutions Exchange, staff will bring protocols that have already been approved by the CARB and the California Climate Action Registry to the Governing Board, develop new quantification procedures as part of criteria pollutant rulemaking, where feasible, and work with CARB, the California Climate Action Registry and CAPCOA to develop additional protocols.

Develop Draft Rules – With the Governing Board's direction, staff will develop rules for the SoCal Climate Solutions Exchange. Rules would be needed for generating reductions

and setting up an AQIP. Administrative rules would cover procedures to register reductions and trades. Each of these key elements would need to be included in the proposed rules: who can participate in generating reductions or making trades; how reductions are quantified, certified, verified, and registered; what the unit of the reduction is, when it is issued, and how long it is valid; what incentives or other mechanisms will be in place for Environmental Justice areas; and fees and penalties.

Schedule – If the Governing Board direction at the May meeting is to proceed with rule development, staff will return to the Board in the fall with proposed rules.

Tables - TBD

Figures - TBD

Appendices

- A. Governing Board Climate Change Committee
- B. Other Trading Programs
- C. Protocols