



SYDNEY K. KAMLAGER REPRESENTING SENATE DISTRICT 30



FACT SHEET: SB 1391 – [Cap-and-trade offsets]

IN BRIEF

Senate Bill 1391 would require the California Air Resources Board (ARB) to—before linking the state’s cap-and-trade program to any other market—conduct a check-up of its regulatory standards and improve the accounting of carbon offsets.

BACKGROUND & PROBLEM

California’s cap-and-trade program plays a significant but controversial role in the state’s climate policy strategy. Air pollution burdens remain high in communities living next to major industrial facilities and freeways, despite assurances that the program would improve climate and air quality outcomes alike.

When covered entities (who are responsible for roughly 75% of the state’s emissions) buy allowances at auction to comply with their cap-and-trade obligations, that money funds several billion dollars’ worth of important pollution reduction projects in the state.

In practice, California’s cap-and-trade program is much more complex than that. Price floors and ceilings dictate the price of an allowance under certain conditions. Compliance can be achieved through new or old allowances. Carbon offsets can be purchased, representing equivalent emission reductions in unrelated sectors and localities. In short, ARB has developed a sophisticated carbon market based in part on direction from this Legislature, shaped by political and economic realities, and which strives to achieve a number of sometimes-conflicting goals.

California is a climate leader, and other states and countries look to us for policy guidance. The emission trading system in Quebec is compatible with California’s market. Washington State, under their Climate Commitment Act of 2021, is in the process of developing a cap-and-invest program modeled in part off of California’s program. It is essential that California take its leadership role seriously and address programmatic concerns at home before exporting them abroad.

An excessive amount of allowances purchased in the early years of the program remain in circulation and threaten to complicate achievement of the state’s climate goals.

Covered entities can purchase carbon offsets to fulfill some of their obligations. In theory, an offset represents one ton of avoided or stored emissions, but in practice these have been plagued by controversy.

SOLUTION

SB 1391 would require the ARB to reevaluate and correct the deficiencies before linking to another program.

Specifically, it would require the ARB to conduct a rulemaking process to address the above concerns. The bill would primarily require the ARB to evaluate whether its program is consistent with existing state law. The only new requirements would apply to carbon offsets, and the bill specifically allows for California to follow the reforms adopted in Washington State.

In fact, SB 1391 doesn’t require anything at all. If the ARB doesn’t want to link to any other program, it can simply stay the course. If ARB is serious about its program helping other jurisdictions achieve their climate goals, however, then ARB should be willing to first show the California public that its house is in order. SB 1391 requires nothing more, and the people of California should expect nothing less.

SUPPORT

- Center on Race, Poverty and the Environment

FOR MORE INFORMATION

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