California Assembly backs cap-and-trade extension

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Washington, 23 August (Argus) — The California state Assembly today approved legislation to extend the state’s cap-and-trade program, but fell short of the two-thirds super majority that could help shield its allowance auctions from legal challenges.

The Assembly voted 47-29 in favor of SB 32 after weeks of negotiations over the bill, which would require the state to cut its greenhouse gas emissions by 40pc from 1990 levels by 2030 and extend the cap-and-trade program to help meet that target. The bill now goes back to the Senate for a vote.

“Today’s action sends an unmistakable signal to investors of California’s commitment to clean energy and clean air,” said senator Fran Pavley (D), the author of SB 32.

The state cap-and-trade program currently targets a return to 1990 emissions levels by 2020. It covers emissions from sources such as power plants and refineries, as well as from the use of transportation fuels and natural gas.

A related measure, AB 197, which would increase oversight of cap-and-trade program administrator the Air Resources Board (ARB), passed the Senate today by a 23-14 vote. Neither bill can take effect unless both pass. AB 197 now returns to the Assembly for a final vote.

The vote for SB 32 fell short of a two-thirds super majority in the 80-member Assembly. That could leave the state’s use of quarterly allowance auctions to raise money vulnerable to legal challenges. A lawsuit filed by the California Chamber of Commerce is pending before a state appeals court. One of the main issues is whether the auctions constitute a tax under state law, which would require a two-thirds vote of approval from each chamber of the legislature. The state’s climate law, AB 32, which authorized the cap-and-trade program, passed in 2006 with a simple majority.

California governor Jerry Brown (D) had been in talks with legislative leaders and stakeholders this summer in an effort to win a super majority vote for SB 32, with groups such as the Western States Petroleum Association pushing for a deal in which the state would end its Low-Carbon Fuel Standard Program. But Brown, Pavley and others opposed the trade-off.

The bill failed to make it through the Assembly last year after some Democrats withheld support. Some members wanted increased oversight of ARB’s climate efforts and others wanted more money to address air pollution in their districts.

ARB is moving ahead with regulations to implement the cap-and-trade program through 2030 on the belief the agency has the authority it needs, with or without SB 32. The court case and legislative deliberations have contributed to low interest at recent auctions. The state sold just 35pc of the vintage 2016 allowances offered at last week’s auction.

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