Message

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Sent:	2017-05-26 3:31:40 PM
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Subject:	California's SB 775 (Cap and Trade beyond 2020) and Ontario's Electric Sector Financial Issues

The link to the Berkeley Haas Energy Institute's article below opens up another set of articles about the proposed SB 775 legislation for the post 2020 Cap and Trade System in California, including a link to the current version of the draft bill. This bill requires 2/3 majority to pass and the Democrats have the numbers, though there will probably be changes in the act along the way. The links are included below.
https://energyathaas.wordpress.com/2017/05/22/californias-carbon-border-wall/
https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB775
http://legal-planet.org/2017/05/10/guest-blogger-dallas-burtraw-three-revisions-not-to-overlook-in-californias-new-cap-and-trade-proposal-sb-775/

One area which may evolve is the Border Tax concept, which as some of the bloggers suggest, is great in theory, but may be difficult to implement in practice. (I note Mike MacCracken (formerly of Informetrika in Ottawa) weighing in on this with a suggestion that was made for the CFC emission mitigation process: that individual entities be required to each do their own carbon life cycle analysis, rather than have a government agency try to do the analysis for any and all imported goods. Seems analogous to me to requiring food producers to show the ingredients, nutrients and calories in their products on their labels – so not so far-fetched.)

I think the direction that California is taking is important for Ontario, especially in the context of the financial difficulties the province's LTEP is in. Rather than persist with a plan that does not attempt to reach 2030 emission targets, which would have the effect of excluding Ontario from the California Cap and Trade, Ontario should double down on the close substitute for an aggressive carbon tax that California is effectively proposing. The California bill (SB 775) gets to $US 50/tonne (or more) in 2022, so reaches the proposed Canadian Federal target for 2022. It persists predictably and strongly upward after that. Applying this cap and trade regime in Ontario should have the effect of reducing the need for government energy sector program expenditures in Ontario to achieve emission targets. As Ontario's electricity sector is already very clean, it will have only a small impact on HOEP, but it will incent EVs and space and water heat conversion, as well as conservation measures to reduce the use of gas (and later electricity) in currently gas-heated residential and commercial premises. In other words, **in Ontario it will push up non-electricity prices, rather than the price of electricity itself, and reduce the need for government conservation and technology conversion incentives in the electric sector later on.**

The analysis done by your group has demonstrated that the push for a higher target for conservation of electricity is counter-productive. However, conservation in transportation and heating end-uses that are currently not fueled by electricity is worthwhile, and is perhaps not so sensitive a political issue. Consumers have watched oil and gas prices fluctuate widely over the years and seem less sensitive to this than government-driven power prices. **The extra revenue generated by higher carbon emission allowance prices can be used to help pay down the debt accumulated by the Fair Hydro Plan.**

Achieving non-electricity sector carbon emission conservation avoids the erosion of the revenue base to pay for existing and committed power system assets. It can also lower the extent of the additional debt accumulated in the early years of the price rollback. We should be recommending not just that there be no increase in the *electricity* conservation target, but that funding for electricity conservation programs prior to 2021 also be phased out and replaced by a focus on electric sector standards and codes, information, facilitation of financing mechanisms (aka market transformation), complemented by a reliance on higher non-electric energy prices to incent consumer investment in non-electric sector carbon abatement.

In a period of surplus energy and capacity, continued expenditure on *electricity* conservation and using residential *electricity* rates to subsidize commercial and industrial cuts in peak demand (ICI) only add to the financial burden accumulating in the short-term from the electric rate rollback. **A higher carbon price incents *non-electric* sector emission reductions without adding electricity costs to be paid off by an eroding electric sector revenue base.**

Happy to discuss further.

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From: Energy Institute at Haas <ei@haas.berkeley.edu>
Sent: Monday, May 22, 2017 11:49
To: pjburke53@hotmail.com
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Subject: New EI @ Haas Blog: California's Carbon Border Wall

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http://ei.haas.berkeley.edu/

California's Carbon Border Wall

A new post by *Meredith Fowlie*

A new proposal would bring big changes to California's GHG cap-and-trade program.

With all that's been happening in Washington DC, you may have taken your finger off the pulse of California climate change policy. But now's a good time to check back in. There's a new cap-and-trade proposal in town, and it's turning lots of heads in the state capital.

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