

Notice of Preparation

To: California Office of Planning and Research, Responsible Agencies, Trustee Agencies, and Other Interested Parties

Subject: Notice of Preparation of a Draft Substitute Environmental Document

Project Title: Cap-and-Trade Regulation Amendments

Lead Agency: California Air Resources Board

Date: September 19, 2023

Review Period: September 19, 2023 to October 19, 2023

As the Lead Agency, the California Air Resources Board (CARB) will prepare a substitute environmental document (referred to as an "Environmental Impact Analysis" or "EIA") as part of the Staff Report prepared for the proposed project identified above. CARB would like to know the views of your agency as to the scope and content of the environmental information that is relevant to your agency's statutory responsibilities in connection with the proposed project. If the proposed project has no relevance to you or your organization, no action on your part is necessary.

Information on the project description, location, and potential environmental effects, as currently known, are contained in the attached materials, including the notice for public workshop to be held on October 5, 2023. In addition to soliciting input on the proposed project, this workshop will also serve as a CEQA scoping meeting to solicit input on scope and content of the EIA to be prepared for the proposed project. Additional information on this proposed project is available for review on the Program webpage at the following link: [Cap-and-Trade Regulation | California Air Resources Board](#)

The NOP is available for review and comment for 30 days, per CEQA Guidelines (14 CCR 15082(b)). The comment period for this NOP begins September 19, 2023 and ends on October 19, 2023. Due to the limits mandated by State law, responses should be sent at the earliest possible date, but no later than 5:00 PM on October 19, 2023.

Please submit your written comments to CaliforniaEnvironmentalQualityAct@arb.ca.gov or via mail to Rebecca Fancher, California Air Resources Board Legal Office/CEQA Unit, P.O. Box 2815 Sacramento, CA 95812-2815. In your response, please indicate the public agency or other entity you represent, and the name and phone number of a contact person.

Date: 9/19/2023

Signature:

Rebecca Fancher

Rebecca Fancher
Staff Air Pollution Specialist
California Air Resources Board

List of Agencies to Review

Distributed to agencies marked with an "X" below:

STATE AGENCIES	
<ul style="list-style-type: none"> <input type="checkbox"/> Boating & Waterways, Department of <input type="checkbox"/> California Highway Patrol <input type="checkbox"/> CalRecycle <input type="checkbox"/> Caltrans <input type="checkbox"/> Caltrans Planning <input type="checkbox"/> Coastal Commission <input checked="" type="checkbox"/> Conservation, Department of -- Oil, Gas Geothermal Resources <input type="checkbox"/> Delta Protection Commission <input checked="" type="checkbox"/> Energy Commission <input checked="" type="checkbox"/> Fish & Wildlife, Department of <input type="checkbox"/> Food & Agriculture, Department of <input type="checkbox"/> Forestry and Fire Protection, Department of <input type="checkbox"/> Health Services, Department of <input checked="" type="checkbox"/> Housing & Community Development <input type="checkbox"/> Integrated Waste Management Board <input type="checkbox"/> Native American Heritage Commission <input checked="" type="checkbox"/> California Environmental Protection Agency <input type="checkbox"/> Department of General Services <input type="checkbox"/> Strategic Growth Council <input type="checkbox"/> California High Speed Rail Authority <input type="checkbox"/> Department of Conservation - Division of Land Resource Protection 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> OEHHA <input type="checkbox"/> Office of Historic Preservation <input type="checkbox"/> Office of Emergency Services <input type="checkbox"/> Parks & Recreation, Department of <input type="checkbox"/> Pesticide Regulation, Department of <input checked="" type="checkbox"/> Public Utilities Commission <input type="checkbox"/> Regional Water Quality Control Board #____ <input type="checkbox"/> Resources Agency <input type="checkbox"/> SF Bay Conservation & Development Commission <input type="checkbox"/> State Lands Commission <input type="checkbox"/> State Water Resources Control Board <input type="checkbox"/> Tahoe Regional Planning Agency <input type="checkbox"/> Toxic Substances Control, Department of <input checked="" type="checkbox"/> University of California <input checked="" type="checkbox"/> Water Resources, Department of <input type="checkbox"/> Building Standards Commission <input type="checkbox"/> Department of Public Health <input type="checkbox"/> Tahoe Nature Conservancy <input type="checkbox"/> Sierra Nevada Nature Conservancy <input type="checkbox"/> Delta Conservancy <input checked="" type="checkbox"/> Other: <u>Governor's Office of Business and Economic Development</u> <input type="checkbox"/> Other:
AIR DISTRICTS	
<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Amador County APCD <input checked="" type="checkbox"/> Antelope Valley AQMD <input checked="" type="checkbox"/> Bay Area AQMD <input checked="" type="checkbox"/> Butte County AQMD <input checked="" type="checkbox"/> Calaveras County APCD <input checked="" type="checkbox"/> Colusa County APCD <input checked="" type="checkbox"/> County of El Dorado AQMD <input checked="" type="checkbox"/> Eastern Kern APCD <input checked="" type="checkbox"/> Feather River AQMD <input checked="" type="checkbox"/> Glenn County APCD <input checked="" type="checkbox"/> Great Basin Unified APCD <input checked="" type="checkbox"/> Imperial County APCD <input checked="" type="checkbox"/> Lake County AQMD <input checked="" type="checkbox"/> Lassen County APCD <input checked="" type="checkbox"/> Mariposa County APCD <input checked="" type="checkbox"/> Mendocino County AQMD <input checked="" type="checkbox"/> Modoc County APCD <input checked="" type="checkbox"/> Mojave Desert AQMD 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Monterey Bay Unified APCD <input checked="" type="checkbox"/> North Coast Unified AQMD <input checked="" type="checkbox"/> Northern Sierra AQMD <input checked="" type="checkbox"/> Northern Sonoma County APCD <input checked="" type="checkbox"/> Placer County APCD <input checked="" type="checkbox"/> Sacramento Metropolitan AQMD <input checked="" type="checkbox"/> San Diego County APCD <input checked="" type="checkbox"/> San Joaquin Valley APCD <input checked="" type="checkbox"/> San Luis Obispo County APCD <input checked="" type="checkbox"/> Santa Barbara County APCD <input checked="" type="checkbox"/> Shasta County AQMD <input checked="" type="checkbox"/> Siskiyou County APCD <input checked="" type="checkbox"/> South Coast AQMD <input checked="" type="checkbox"/> Tehama County APCD <input checked="" type="checkbox"/> Tuolumne County APCD <input checked="" type="checkbox"/> Ventura County APCD <input checked="" type="checkbox"/> Yolo-Solano AQMD
OTHER INTERESTED PARTIES	

PROJECT DESCRIPTION AND ENVIRONMENTAL EFFECTS

A copy of an Initial Study is not attached because CARB complies with the California Environmental Quality Act (CEQA) through its regulatory program certified by the California Secretary for Natural Resources under Public Resources Code section 21080.5 (14 CCR 15251(d)). Public agencies with certified regulatory programs are exempt from certain CEQA requirements, including but not limited to, preparing environmental impact reports, negative declarations, and initial studies (14 CCR 15250).

The Environmental Impact Analysis (EIA) will evaluate the potential for impacts to the environment as a result of the proposed project: Cap-and-Trade Program. The project and the nature of potential impacts that could result from the project are described below.

- **PROJECT TITLE:**

Cap-and-Trade Regulation Amendments

- **PROJECT LOCATION:**

The project has statewide applicability.

- **PROJECT DESCRIPTION:**

The Cap-and-Trade Regulation establishes a declining limit on major sources of GHG emissions throughout California, and it creates a powerful economic incentive for significant investment in cleaner, more efficient technologies.

CARB first formally adopted the Cap-and-Trade Regulation in October 2011. The Board adopted amendments to the Regulation in June 2012, October 2013, April 2014, September 2014, June 2015, July 2017, March 2018, and December 2018. The California Cap-and-Trade Program and Québec Cap-and-Trade System have participated in a linked carbon market since January 2014. In 2017, AB 398 was passed by a supermajority in the Legislature and included prescriptive direction on the design of the program from 2021 through 2030. The regulation is one of the measures adopted by CARB, pursuant to Health and Safety Code Sections 38500-38599 (AB 32), to reduce California's greenhouse gas emissions and advance the State's climate goals. It complements other measures to ensure that California cost-effectively meets its goals for GHG emissions reductions.

CARB staff are developing amendments to update the Cap-and-Trade Regulation to align with the Assembly Bill (AB) 1279 target of reducing anthropogenic greenhouse gas emissions by 85 percent below 1990 levels and achieving carbon neutrality no later than 2045; and to reflect the 2022 Scoping Plan Update that shows a cost-effective and technologically feasible path to achieve AB 1279. This includes evaluation of program caps, updates to market rules, allowance allocation for industry and electric utilities, treatment of electricity imports from electricity markets and inclusion of carbon dioxide sequestration and removal.

• **PROBABLE ENVIRONMENTAL EFFECTS:**

The EIA will evaluate the potential for impacts on the environmental resource areas found in Appendix G of the CEQA Guidelines. The proposed project would have beneficial impacts related to reduction of greenhouse gas emissions and air pollution from covered sectors in the Cap-and-Trade Program. Potential adverse impacts would be associated with the reasonably foreseeable compliance responses related to the proposed project, which may include but are not limited to: modifications to existing covered facilities; construction of new facilities; and construction of related infrastructure.

The reasonably foreseeable compliance responses associated with the proposed Cap-and-Trade Program amendments could potentially adversely or beneficially affect several resource areas, including but not limited to the following, which will be further evaluated in the EIA:

- Aesthetics
- Agricultural and Forest Resources
- Air Quality and Odors
- Biological Resources
- Cultural Resources
- Energy
- Geology, Seismicity, and Soils
- Greenhouse Gases
- Hazards and Hazardous Materials
- Hydrology and Water Quality
- Land Use and Planning
- Mineral Resources
- Noise
- Transportation and Traffic
- Utilities and Service Systems

Potential cumulative impacts and potential for growth inducement will be evaluated in the EIA, as well as alternatives, including the No Project Alternative.

California Public Workshop

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September 18, 2023

California Public Workshop: Potential Amendments to the Cap-and-Trade Regulation

The California Air Resources Board (CARB) invites interested parties to participate in a public workshop on updates to the California Cap-and-Trade Program and Mandatory GHG Reporting Program. CARB staff will present on allowance budget scenarios and concepts related to the overall distribution of allowances, including EDU allocation and post-2030 budgets. CARB staff will also present on topics relevant to treatment and reporting of electricity imports, biogenic emissions, and limited emissions exemptions.

Date: October 5th, 2023
Time: 9:30 a.m. – 4:00 p.m.
Location: Remote only

Staff will request written feedback following the workshop through 11:59 p.m. Pacific Time on October 26, 2023. A link to submit written feedback will be posted to the Cap-and-Trade [Meetings & Workshops webpage](#).

For special accommodations or language needs please contact [Camille Sultana](#) no later than September 21.

Workshop Registration

This public workshop will be available via Zoom. Attendees will be able to ask questions or provide comments during the workshop. All attendees must register in advance. After registering, you will receive a confirmation email with information about how to access the workshop by computer or by telephone.

Market-Sensitive Information and Workshop Materials

Given the existing market and the fact that some topics may influence current market behavior, CARB will exercise due diligence to ensure all market influencing information is made available to all stakeholders at the same time. Workshop materials will be posted at 12 p.m. on October 3 to the Cap-and-Trade [Meetings & Workshops webpage](#).

Cap-and-Trade Background

CARB first formally adopted the Cap-and-Trade Regulation in October 2011. The Board adopted amendments to the Regulation in June 2012, October 2013, April 2014, September 2014, June 2015, July 2017, March 2018, and December 2018. The California Cap-and-Trade Program and Québec Cap-and-Trade System have participated in a linked carbon market since January 2014. In 2017, AB 398 was passed by a supermajority in the Legislature and included prescriptive direction on the design of the program from 2021 through 2030. The Cap-and-Trade Regulation establishes a declining limit on major sources of GHG emissions throughout

California, and it creates a powerful economic incentive for significant investment in cleaner, more efficient technologies. The regulation is one of the measures adopted by CARB, pursuant to Health and Safety Code Sections 38500-38599 (AB 32) to reduce California's greenhouse gas emissions and advance the State's climate goals. It complements other measures to ensure that California cost-effectively meets its goals for GHG emissions reductions.

[More Information](#)

Environmental Analysis

At the workshop staff will provide an overview of CARB's process for preparing the Environmental Impact Analysis (EIA) and its content required under the California Environmental Quality Act. Staff welcome public input at the workshop on the appropriate scope and content of the EIA at the beginning of our process, including the reasonably foreseeable methods of compliance with the proposal, the potential significant adverse impacts associated with the methods of compliance, potential feasible mitigation measures, and feasible alternatives to the proposal that could reduce or eliminate any significant adverse impacts. A draft of the EIA will be released for public review and comment in 2024.

Clearing California Skies for Over 50 Years

CARB is the lead agency for California's fight against climate change, and oversees all air pollution control efforts in the state to attain and maintain health-based air quality standards.

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