

MARCH 1, 2023

Assessing California's Climate Policies—The 2022 Scoping Plan Update

PRESENTED TO:

Senate Environmental Quality Committee
Hon. Ben Allen, Chair

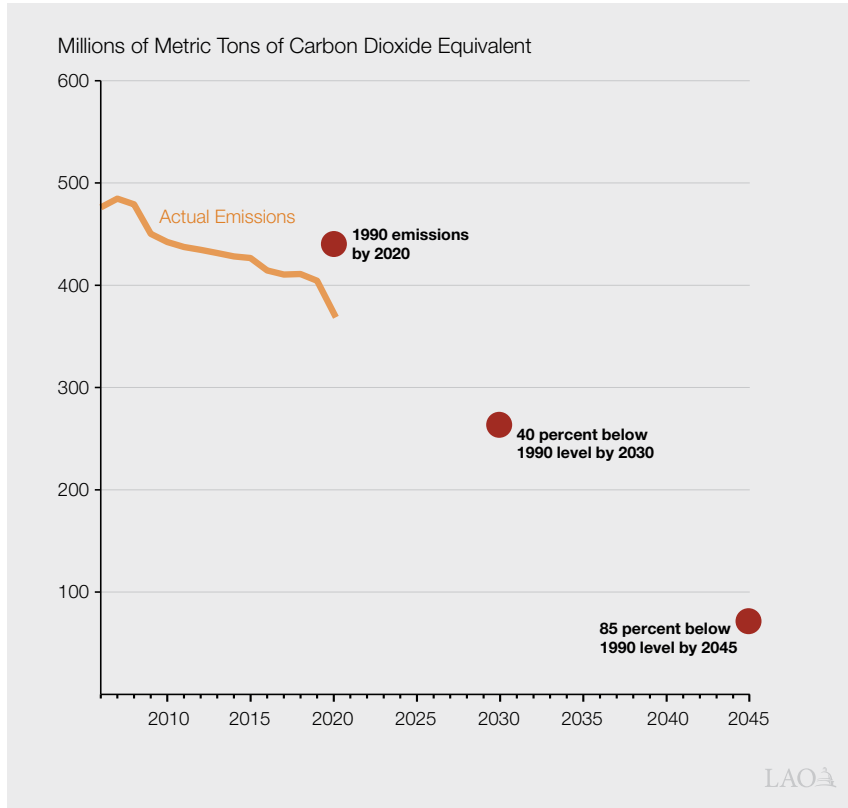
Joint Legislative Committee on Climate Change
Policies
Hon. Henry I. Stern, Chair

Assembly Committee on Natural Resources
Hon. Luz M. Rivas, Chair



LEGISLATIVE ANALYST'S OFFICE

Summary of Statewide Greenhouse Gas (GHG) Targets



2022 Scoping Plan Update

California Air Resources Board (CARB) Must Update Scoping Plan Every Five Years

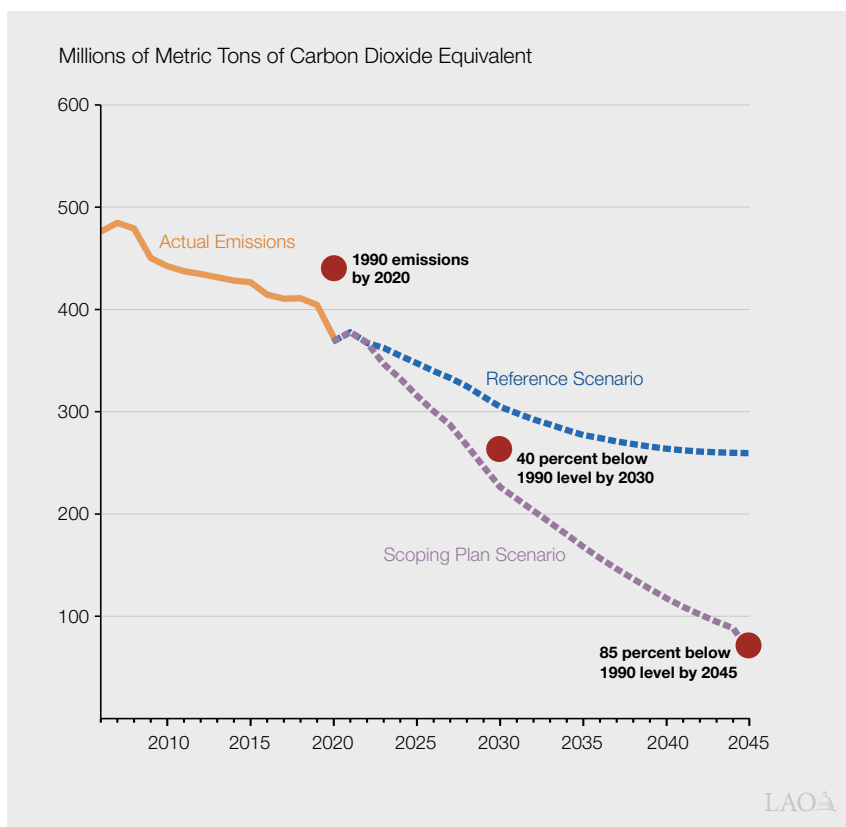
- This is the plan for achieving statewide GHG goals.
- The plan must identify and make recommendations on measures to achieve maximum technologically feasible and cost-effective GHG reductions.
- For each emissions reduction measure identified in the plan, it must identify:
 - The range of projected GHG emissions reductions that result from the measure.
 - The range of projected air pollution reductions that result from the measure.
 - The cost-effectiveness of the measure.

Overview of 2022 Scoping Plan Update

- The plan highlights several different modeling scenarios and selects a preferred “Scoping Plan Scenario.”
- The plan has a significant focus on the 2045 goal.
- The plan identifies a more aggressive 2030 GHG goal of 48 percent below the 1990 level.



State Would Meet GHG Goals Under CARB's Scoping Plan Scenario



Plan Lacks a Clear Strategy for Meeting 2030 Goals

No Clear Description of What Policy Approaches Will Be Used to Reduce Emissions

The plan is unclear about how much the state will rely on financial incentives, regulations, or cap-and-trade to reduce emissions. Instead, the plan's estimated reductions are primarily driven by assumptions developed by CARB. For example, the Scoping Plan Scenario assumes:

- 25 percent reduction in per capita vehicle miles traveled by 2030.
- Carbon capture and storage on 70 percent of refineries by 2030.
- 80 percent of new heating, ventilation, and air conditioning and water heater sales will be electric by 2030.

Lack of Clear Policy Approach Has Several Downsides

- Delayed action increases risk that state will not meet 2030 goal.
- Rushed policy implementation could be more costly.
- Lack of detail limits information available for key legislative decisions.
- Lack of plan could adversely affect California's ability to demonstrate global leadership.



Cap-and-Trade Program Not Currently Positioned to Close 2030 Emissions Gap

2017 Scoping Plan Update Identified Cap-and-Trade as a Policy That Would Ensure the State Meets its Target

The 2017 plan explicitly stated that to the degree other policies collectively fell short of meeting the state’s GHG reduction goals—sometimes referred to as an emissions gap—the cap-and-trade program would reduce emissions further to make up the difference.

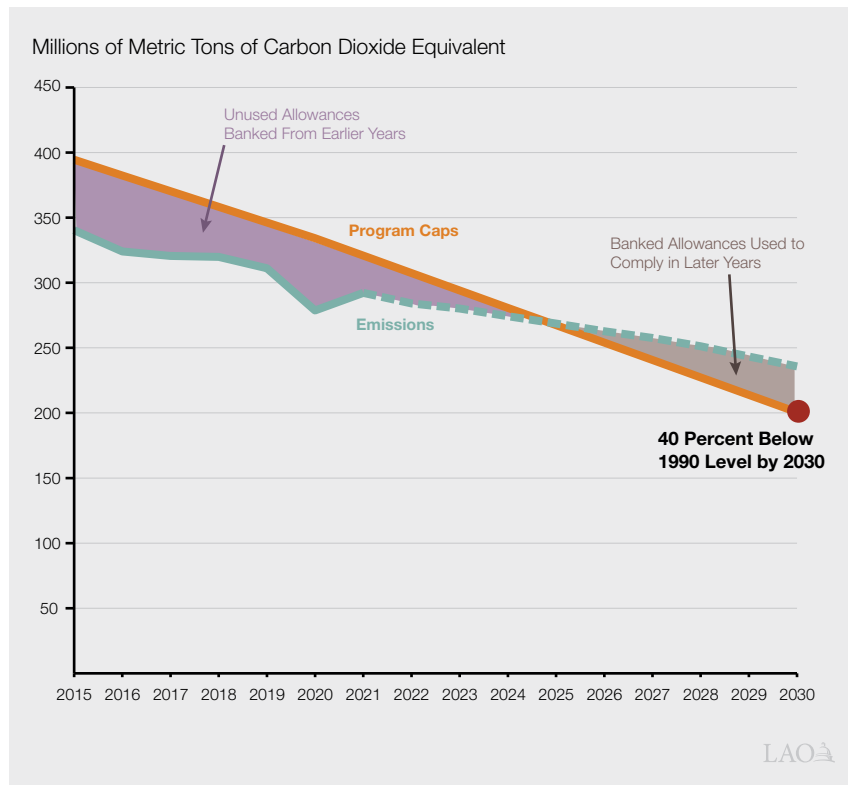
2022 Scoping Plan Update Does Not Specify the Expected Role for Cap-and-Trade in Meeting Statewide GHG Targets

However, based on our review of the current program, we found the following:

- Cap-and-trade can be a cost-effective way to achieve GHG goals.
- Program is not currently well-positioned to ensure state meets its 2030 target.
- Program stringency is a concern under a range of scenarios.
- Lack of program stringency also affects allowance prices and auction revenue.



Allowances Banked in Earlier Years Can Be Used in Later Years



LAO Recommendations

Require CARB to Clarify Plan for Meeting 2030 Goals

- Report to Legislature by July 2023.
- Identify proposed policies and programs for achieving goals, including details related to each measure:
 - GHG emission reductions.
 - Air pollution reductions.
 - Distributional impacts.
 - Cost-effectiveness.

Consider Changes to Cap-and-Trade Program to Make It More Consistent With Legislative Goals

Options for program reform include one or more of the following:

- Reducing supply of allowances issued in future years.
- Limiting use of offsets.
- Extending program beyond 2030.

