

AB 32

California's Global Warming Solutions Act



What

This year California joins the European Union Emissions Trading Scheme and nine northeast states of the Regional Greenhouse Gas Initiative with one of the first market-based programs to reduce greenhouse gas emissions. Known as a “cap and trade” system, California's AB 32 was passed in 2006 and sets a target to reduce the state's emissions to 1990 levels by 2020. To do so, California is creating a market for carbon credits, or the right to emit CO₂ or other greenhouse gasses, then auctions allowances that can be traded by regulated companies. A program overview is [here](#).

Who

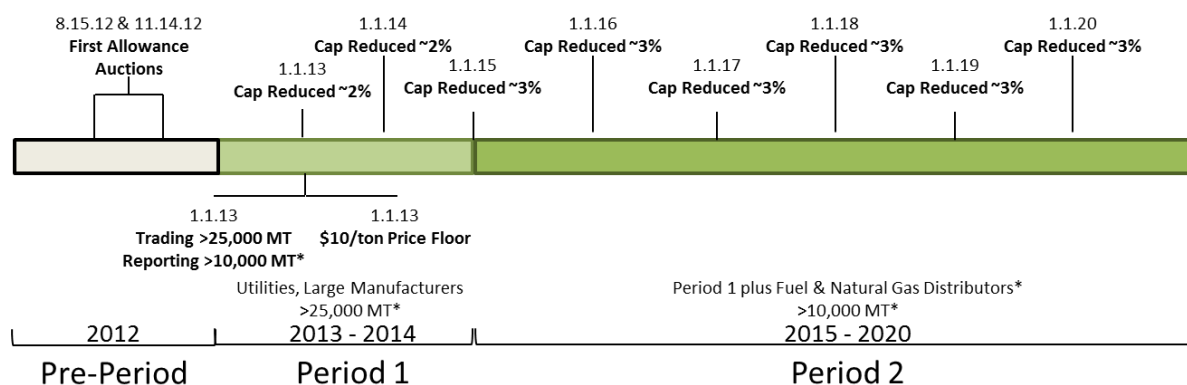
The program will apply to a number of California businesses in three periods. The first companies to be regulated are those producing over 25,000 metric tons of greenhouse gas emissions per year:

- Utilities
- Power Generators
- Extractive Industries
- Refineries
- Wastewater Treatment (large)
- Food Production Facilities (large)
- Paper Mills (large)
- Heavy Manufacturers (large)

Each large business included in Period 1 below has been tracking and reporting for the previous five years. The complete list of companies is [here](#).

The program is administered by the [California Air Resources Board](#) (CARB) and is expected to raise \$2 – 18 billion annually for energy efficiency and carbon reduction programs. It is still unclear whether carbon allowance prices will be high enough that regulated entities will pass some compliance costs on to California businesses and residents. However, the very large number of allowances CARB will auction for free suggest an oversupplied market and very low prices the first few years.

When



*Facilities on the "Covered Entities" list with 10,000MT of emissions who reported any time from 2008 – 2010 are required to report Jun. 1, 2012, all others in Period 1 report Jun. 1, 2013

About MSP

Malk Sustainability Partners is a specialty management consultancy that guides funds and businesses in developing profitable corporate environmental programs. If you have questions or would like to share ideas on how these issues relate to your company, we encourage you to contact us to schedule a complimentary 30 minute **Sustainability Strategy Consultation**.

