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June 21, 2016

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## **ICYMI: *Sacramento Bee*: California Cap-and-Trade Emission Auctions Could Face Bleak Future**

(SACRAMENTO)—*Sacramento Bee* columnist Dan Walters opined again today on the legal and political uncertainties posed by California’s cap-and-trade auction program. As the legal debate continues, legislators and the governor are looking to extend the cap-and-trade auction program.

### ***The Sacramento Bee*: California Cap-and-Trade Emission Auctions Could Face Bleak Future**

When California’s “cap-and-trade” auction of carbon emission allowances imploded a month ago, it clobbered ambitious plans by Capitol politicians to spend many billions of dollars.

The official response from Gov. Jerry Brown’s administration, uttered by Department of Finance official Amy Costa at a state budget hearing, was, “I would caution about reading too much into one auction.”

The Brown administration had contended that it could continue the program after 2020 without further authorization, but it now is signaling that it wants an extension to 2030, with even more ambitious reduction goals.

A bill in the current legislative session, Senate Bill 32, would provide that authority, but after passing the Senate last year, it garnered just 30 votes in the Assembly while needing 41. Moreover, it’s at least possible that any reauthorization would require a two-thirds vote because Proposition 26, passed in 2010, tightened the legal definitions of taxes and fees.

As the legal and political wrangling continues, the glut of emission allowances continues to build. ICIS, an international energy data authority, calculates that California may have an “oversupply” of available allowances over 250 million tons, or roughly the equivalent of three quarterly auctions.

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“The oversupply peaks at about 260 million tons in 2018, but it may take until 2024 before the program comes into balance and the surplus is worked off,” the Carbon Market Compliance Association concludes in its analysis.

Authorities are mulling various strategies to bring the supply of allowances into closer balance with demand, including withdrawing state-owned allowances. But withdrawal or any shrinkage would also make it impossible for the state to realize the \$2.4 billion in annual revenue it had forecast from allowance sales.

To read more, please [click here](#).