California's Cap-and-Trade Policy

A false solution for climate change and air pollution

What is cap-and-trade?

Cap-and-trade is a market-based policy that gives polluters options for reducing their greenhouse gas emissions instead of requiring them to reduce emissions at the source of pollution. The policy sets a limit on total greenhouse gas emissions with a declining cap. Each polluting facility is assigned an allowance limit for how much pollution it can emit. Facilities may exceed their allowed pollution limit by purchasing additional emission allowances as well as purchasing a percentage of offsets, which supposedly reduce pollution elsewhere.

How has cap-and-trade performed in California?

California's cap-and-trade program was authorized by the legislature in 2006 and was implemented by the California Air Resources Board (CARB) in 2013.

There is not yet any evidence that cap-and-trade has decreased greenhouse gas emissions in California. The program undermines a permanent reduction in emissions in the state because it allows polluters to purchase and sell emission allowances or offsets, instead of cutting emissions at the source. Some industries have even increased emissions since the program was enforced, including oil and gas drilling and refining.

Los Angeles' Regional Clean Air Incentives Market (RECLAIM), an anti-smog cap-and-trade program run by the South Coast Air Quality Management District (SCAQMD) since 1993, has failed to adequately reduce ozone levels and air pollution from particulate matter. Prior to RECLAIM, regulatory approaches showed dramatic reductions in many smog-related pollutants, which stopped after cap-and-trade was implemented with RECLAIM. The SCAQMD voted in March to phase-out the failed RECLAIM program and replace it with mandatory cuts in pollution.

What should replace cap-and-trade to stop air pollution and prevent extreme climate change?

Instead of cap-and-trade, Governor Brown and CARB should require every industry to reduce its greenhouse gas emissions at the source of pollution without being allowed to pay its way out of it. In order to rid California of its severe air pollution and avoid the effects of extreme climate change on our water, agriculture and quality of life, the legislature must strengthen the state's greenhouse gas reduction goal — to reduce emissions 40 percent below 1990 levels by 2030 — while committing California to transition to 100 percent renewable energy by 2035. The state should ban fracking to spur the transition away from fossil fuels.

Who wants cap-and-trade?

Governor Brown wants to extend cap-and-trade beyond its 2020 expiration date, which would require a two-thirds majority approval by the state legislature. The Western States Petroleum Association recently endorsed cap-and-trade, citing their preference for a market-based approach over direct regulation. The Governor has accepted millions of dollars in campaign contributions from oil and gas companies and has refused to ban fracking.

How can we stop cap-and-trade and win strong pollution reductions?

As of March, 2017 there are two different bills (AB 378 and RN 17-09543) that would extend cap-and-trade beyond 2020 or replace it with a similar market scheme. As either bill requires a two-thirds majority of the state legislature to pass, 14 out of 40 senators, or 27 out of 80 assembly members, must vote against the bill to defeat it. Stopping these bills would allow cap-and-trade to expire and empower CARB to prioritize cutting pollution at the source.

What about programs funded by cap-and-trade?

Making programs and services dependent on funding from pollution will make it harder to eliminate that pollution altogether. Since 2012 the cap-and-trade program has raised approximately $4.4 billion by allowing companies to buy and sell credits and offsets — $700 million of which has been allocated to Governor Brown's controversial high-speed rail project.

As the world's sixth largest economy, California could close several tax loopholes and ensure corporations pay their fair share in taxes to ensure public services are adequately funded — especially in those communities most affected by air pollution and climate change.

What about a carbon tax?

A carbon tax (sometimes referred to as a carbon fee and dividend) is another pay-to-pollute scheme that allows industries to avoid reducing their emissions at the source. Under a carbon tax, polluters are taxed for each ton of carbon dioxide equivalent emissions, which is often passed on to consumers in the form of higher gasoline and home heating costs. Some carbon taxes return the revenue to consumers through rebates or dividends to help soften the impact of increased prices. Carbon taxes have not been proven an effective way to reduce greenhouse gas emissions and are not a reliable solution to our climate crisis. For example, during the time that a carbon tax has been in effect in British Columbia, greenhouse gas emissions have actually increased. Secretary of State Rex Tillerson even endorsed a carbon tax when he was the CEO of ExxonMobil and some industry associations also support a carbon tax as a small price to pay to continue fossil fuel extraction.

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