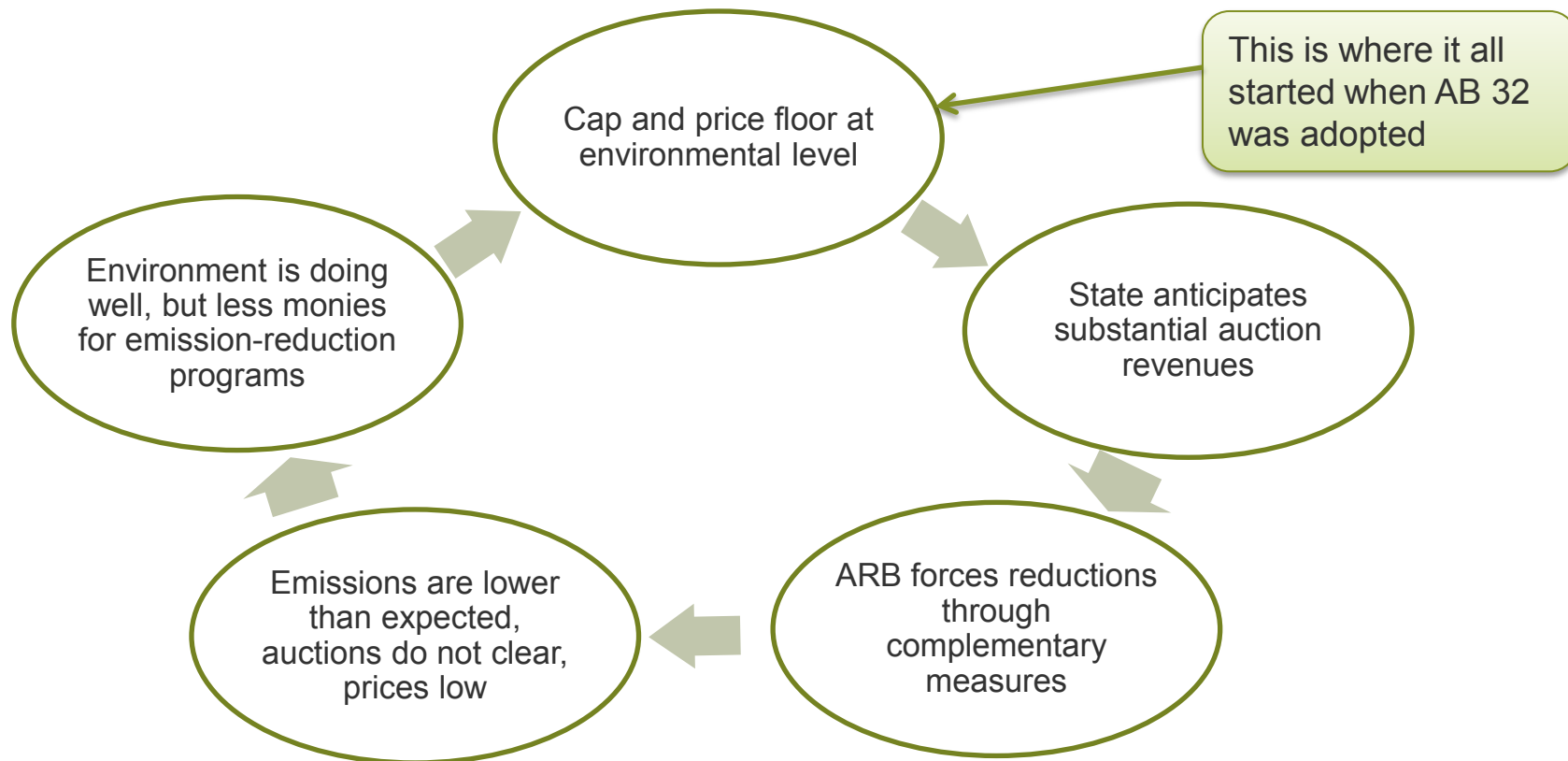


Cap-and-Trade Program Dynamics



Context For Future of Cap-and-Trade Program



Pressure on Program

- Auction litigation
- Weight of LCFS on industry
- Long market, low prices, unsold allowances, decreased state revenues
- SB 350 Failure
- Authority to continue program post-2020?
- CPP stay



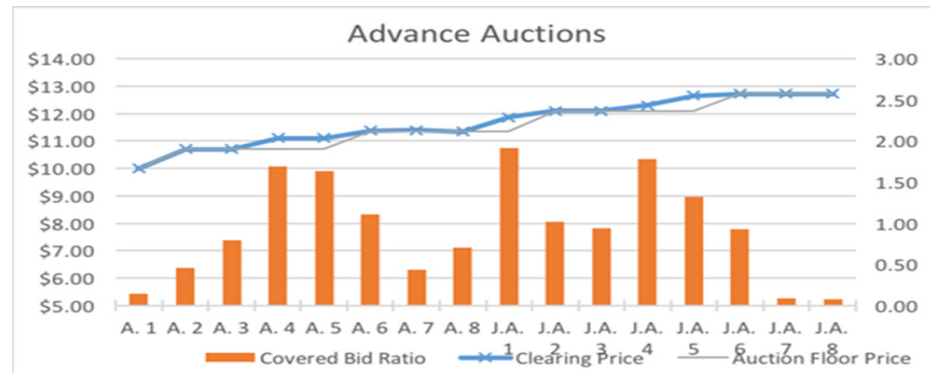
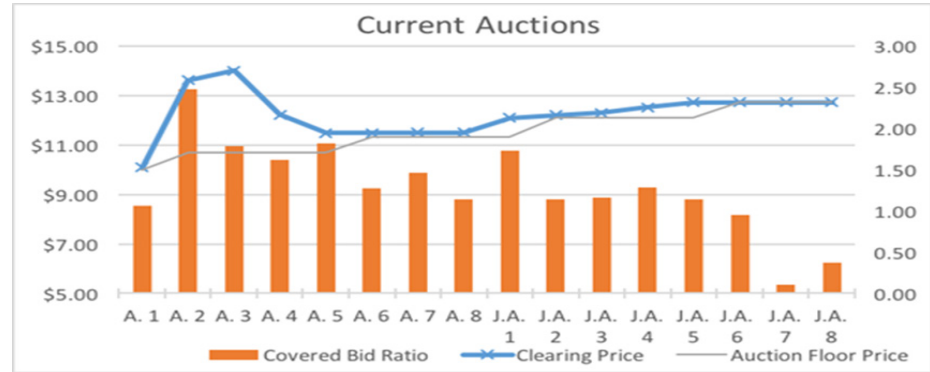
Effort to Support the Program

- EO B-30-15
- Update Scoping Plan
- Amend C-n-T Regulations
- SLCP strategy
- Oil & Gas rule
- Sustainable Freight Strategy



Cap-and-Trade Program: Whither or Wither?

- SB 32 and AB 197
 - Silent on Cap-and-Trade
 - Prioritize direct emission reduction measures?
 - No supermajority
- Allowances Auctions Undersubscribed
 - May 2016 = 11% current and 9% future
 - \$10 million vs. \$500 million
 - August 2016 = 35% current and 8% future
 - \$8.4 million vs. \$620 million
- Auction Litigation Key Driver



Auction Litigation

Chamber of Commerce v. ARB; Morning Star Packing v. ARB

- Initial Briefing Completed May 2015
- Chamber's Request for Calendar Preference Granted April 7, 2016
- Court Directs Supplemental Briefing on 7 Questions April 8, 2016
 - Something for everyone
- Simultaneous Supplemental Briefs Filed May 23, 2016
- No Oral Argument Scheduled To Date
- Decision By Court Required 90 Days After Argument
- Potential California Supreme Court Review

