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California Cap-and-Trade Program Drives Emissions Down As State Economy Grows *Report shows ongoing progress under landmark climate law*

(San Francisco, CA – January 14, 2015) A new report released today by Environmental Defense Fund (EDF) shows capped greenhouse gas emissions are trending downward and California's economy is expanding since the state's landmark cap-and-trade program began in 2013.

The report, *Carbon Market California: A Comprehensive Analysis of the Golden State's Cap-and-Trade Program, Year Two*, is the follow-up to EDF's review of Year One of the state's cap-and-trade program, released in January 2014. The first year's report gave an overview on the early implementation of the program; this new report analyzes the most recent emissions data, released by the California Air Resources Board in November 2014, from companies regulated under the cap. The 2013 numbers show that emissions from capped entities decreased by almost 4% to 145 million metric tons CO₂e (carbon dioxide equivalent). This puts California well on track to meet its goal of reducing emissions to 1990 levels by 2020.

"The people of California should be proud, because their state is leading the way on market-based solutions to climate change," said EDF President Fred Krupp. "The early success of this first economy-wide cap-and-trade program in the U.S.—and lessons we're learning from it—is vital to building momentum for national and global climate action. California is creating a model for how to successfully transition to a low-carbon, clean-energy economy in which businesses and communities can thrive."

While other complementary policies such as the state's Low Carbon Fuel Standard are certainly contributing to the decrease, the cap functions as the state's assurance that it will meet its 2020 target. And California's progress is ahead of the nation as a whole when it comes to reducing carbon intensity (a metric comparing the total amount of emissions reduction in relation to Gross Domestic Product numbers). For example, in 2012, California produced 1.9 metric tons of CO₂ for every \$10,000 of economic output while the United States as a whole produced 3.5 metric tons of CO₂ for the same amount of output. As such, California was almost twice as efficient as the rest of the country.

The new report notes that total greenhouse gas emissions in the state rose slightly last year by one-tenth of a percent, which is likely due in part to small polluters that are not covered in the program.

The report also reviews several indicators of economic health in the state, including an in-depth look at the strong growth of the green economy. California's economy has demonstrated steady growth during the first two years of the cap-and-trade program; in 2013, the state's GDP rose by over 2% and this growth is expected to continue. Finally, the new report offers updates on the growing number of climate policy partnerships between California and other states and nations, and a preview of the substantial benefits to come from investing proceeds from the program's quarterly auctions of carbon allowances.

With the inclusion of transportation fuels under the cap starting on January 1, 2015, California's cap-and-trade program now covers almost all sectors of the state's economy (the eighth largest in the world) and 85% of the state's overall emissions. Cap and trade is the centerpiece of California's landmark climate legislation, commonly known as AB 32, passed in 2006. The state's program took effect on January 1, 2013, and the report's analysis shows that companies regulated under the program so far have complied with the program's early requirements and regulations. Meanwhile, the program has withstood legal challenges and ongoing opposition to emissions regulation from the fossil fuels industry, which intensified last year in the lead-up to transportation fuels coming under the cap.

"This report presents firm evidence that California's carbon market is working. The program is successfully driving down greenhouse gas pollution while allowing California's economy to grow," said Katie Hsia-Kiung, a carbon market analyst for EDF and lead author of the report. "While much more needs to happen on climate policies globally, we are proud that EDF can help play a role in tracking and analyzing California's progress at home to encourage climate action elsewhere."

Key conclusions from the new report include:

- California's economy continues to thrive and emissions covered under the cap-and-trade program are decreasing;
- California's carbon market has remained stable and strong, as demonstrated by the level of activity and participation in the quarterly auctions and in the secondary market for carbon allowances;
- California's government leaders in the executive and legislative branches have remained steadfastly committed to the program and are beginning to discuss even more ambitious goals beyond the emissions reduction target set for 2020.

Governor Jerry Brown, who is starting an unprecedented fourth term, recently hailed California's successes on cap and trade and other climate policies and called for even bolder steps to be taken in the future on renewables, energy efficiency, and petroleum consumption.

You can find the full report here: http://www.edf.org/sites/default/files/content/carbon-market-california-year_two.pdf

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