



October 1, 2007

Linda Adams, Secretary
California Environmental Protection Agency
1001 I Street
Sacramento, CA 95812

Mary Nichols, Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95812

RE: Comments on AB 32 Scoping Plan and request for "Ideas to Reduce Greenhouse Gas Emissions"

Secretary Adams, Chairwoman Nichols, and Members of the Committee:

We write to offer our comments on the AB 32 Scoping Plan in response to your request for "Ideas to Reduce Greenhouse Gas Emissions." We appreciate this opportunity to comment as you begin to work diligently on charting a low-carbon path for California's communities.

Global Green USA ("Global Green") has developed the Climate Solutions *for* Communities ("CSC") program to empower our low-income communities to become an integral part of the solution to climate change. The unprecedented challenge of reducing global warming pollution needs to be a democratic effort involving all communities. The CSC program promotes, through The Global Warming Solutions Act ("AB 32"), community empowerment in the fight to mitigate climate change. The core goals of the CSC program are to:

- o Create revenue streams for green community development; and
- o Build new constituencies for the democratization of the fight against global warming.

The history of the CSC program is rooted in Global Green's legacy in working to enhance the environment via low-income community institutions. Our Greening Affordable Housing Initiative has provided technical assistance to low income housing developers to assist in the "greening" of those projects and together with our policy work on green affordable housing has impacted hundreds of thousands of units of low-income housing to ensure that low-income communities have access to healthier, more durable shelter.

Identifying the opportunity arising from the political momentum surrounding the threat of climate change, Global Green chartered the CSC in 2005 upon the conclusion of a study funded by the Ford Foundation. Working closely with the California legislature to enact Global

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Warming policy, the CSC program successfully championed "The Community Empowerment Amendment" in Assembly Bill 32 (Nuñez) the California Global Warming Solution Act of 2006.

The Community Empowerment Amendment (AB 32)

38565. The state board shall ensure that the greenhouse gas emission reduction rules, regulations, programs, mechanisms, and incentives under its jurisdiction, where applicable and to the extent feasible, direct public and private investment toward the most disadvantaged communities in California and provide an opportunity for small businesses, schools, affordable housing associations, and other community institutions to participate in and benefit from statewide efforts to reduce greenhouse gas emissions.

The CSC program goal is to generate a multiplicity of benefits for our low-income communities by empowering them to tap Carbon Finance. In addition to the reduction of global warming pollution, the CSC program will result in:

- Creating new revenue streams for green community development;
- Building and engaging new constituencies to help democratize the process of fighting global warming and widen the benefit of reducing greenhouse gas emissions;
- Strengthening at risk communities by reducing energy usage and associated costs for low-income communities and neighborhoods;
- Improving air quality in at risk communities - including not only global warming pollution but all power generation pollution, including particulates, SO₂, NO_x, etc.;
- Improving the quality of building structure and systems of schools, low income housing and other community entities;
- Offering an opportunity for regulated entities to demonstrate exceptional environmental stewardship by reducing their carbon footprint while simultaneously providing critically important assistance to our low-income communities;
- Empowering and educating low income communities to participate in and lead in environmental stewardship initiatives, and
- Reducing toxic air pollution "hot spots" in communities historically overburdened by unhealthy air and magnified by a warming climate.

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The CSC Pilot Project

The CSC program is currently pursuing pilot project implementation and is bringing together a group of core stakeholder institutions to model and demonstrate optimal carbon regulatory design for low-income community empowerment. Global Green has conducted a thorough review of design options, a sampling of the options reviewed can be found below.

Among the regulatory options considered for the pilot project to mirror and test drive, the establishment of a "Community Empowerment Carbon Fund" is the preliminary front-runner. The pilot project would raise capital from charitable dollars to create a fund that could be used as a model for establishing a Community Empowerment Carbon Fund once a regulatory structure is in place. This Carbon Fund would be capitalized via greenhouse gas emissions allowance auction revenues and/or penalty payments. Following a draft application protocol, a low-income community institution would apply to the fund for financing assistance for an enhanced energy efficiency / green building deployment. This would create premium, real, load-reduction based carbon reductions.

The pilot project will require the support and collaboration of a number of linked entities in order to be successful. These entities are:

- Project host from low income communities including but not limited to schools, hospitals, subsidized/low-income housing complexes, institutional service buildings;
- Load serving entities/utilities;
- State government;
- Local Government; and
- Corporate Project Sponsors.
- Greenhouse Gas Registry

Low-income community institutions are lining up to be pilot project hosts. Regarding private sector involvement, the pilot project will enable its sponsors to promote premium carbon reductions while empowering low-income communities to become a proactive participant in the fight against climate change.

For more detailed emissions and cost estimates for sample projects please find the attached ARB Emission Reduction Measure (ERM) form. These numbers represent one type of project, air conditioning split systems, that the Community Empowerment Carbon Fund would help fund. To generate the estimates, we ran the numbers for the average institutional building in California.

ARB Regulatory Design & Implementation Options

Global Green is educating key stakeholders about implementation options for the Community Empowerment Amendment. Below is just a sample list of the various carbon regulatory design

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options that we have been reviewing that could give effect to the Community Empowerment Amendment:

I) Within a Non-Trading System:

1. Community Reduction Credits allowed for covered entities: Functionally, this would allow regulated entities to use community-based energy efficiency and renewable energy projects to count toward meeting their emissions reductions goals. Such projects would reduce the demand for electricity generation and associated emissions through activities outside of the regulated facility and would therefore be considered an "indirect emission reduction." Further, it is important to note that hotspot gate keeping would be necessary to limit the geographic range for community reduction credit projects from the regulated entity/emitting installation offsetting their own emissions - in short community offsets would need to be generated near the covered entities buying them to ensure that no hotspots form.

II) Within a Cap and Trade system:

2. The Establishment of a Community Empowerment Carbon Fund (described above)
3. Community Carbon Reduction Credits (CCRC) included in AB32's Project Reduction Credit Program: A project reduction credit program refers to reductions that are generated by projects at facilities usually outside those entities that are "under the cap", also referred to as "covered entities." The amendment could open the door for community renewable energy and energy efficiency projects to generate carbon credits that can be used in lieu of allowances for regulatory compliance. This option is similar in nature to option one described above.

III) Within a Trading or Non-Trading System:

4. Reduced Rate Carbon Reduction Loans; Rebates; Grants for Communities: Communities that implemented approved carbon reducing renewable energy and energy efficiency projects could receive a stream of additional new incentives from a Carbon Fund capitalized by revenue from allowance auctions in a trading system, or alternative compliance payments (penalties) in a non-trading system.

For more information on the Climate Solutions for Communities Program, please contact Mary Luévano, Policy and Legislative Affairs Director for Global Green USA, mluevano@globalgreen.org. For more information on the Pilot Project, contact our regulatory and technical experts, Chris Berendt chris.berendt@paceglobal.com or, Melissa Ritter

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melissa.ritter@paceglobal.com. For more information on our outreach, education and advocacy efforts please contact our Sacramento representatives, Rafael Aguilera Rafael@TheVerdeGroup.org, (916) 752-2929.

Once again, thank you for the opportunity to comment and we look forward to working with you and your staff to implement the "Community Empowerment Amendment" and empower California's communities in the fight against global warming.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary Luévano".

Mary Luévano
Policy and Legislative Affairs Director
Global Green USA

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