AB 32 Implementation Group

Working Toward Greenhouse Gas Emission Reductions
And Enhancing California's Competitiveness

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OFFICE OF THE CHAIRMAN
AIR RESOURCES BOARD

June 7, 2007

Mr. Robert F. Sawyer, Ph.D., Chair
California Air Resources Board
Sacramento, CA 95414

Dear Dr. Sawyer,

The AB 32 Implementation Group advocates for policies that support achieving Greenhouse Gas (GHG) emission reductions while protecting and growing the California economy. This letter concerns the principles and methods by which the California Air Resources Board should consider the imposition of regulatory fees to support implementation of AB 32 goals.

In general we believe that for California's GHG program to be effective the following general principles must guide the overall program:

1. Provide Regulatory Certainty
2. Adopt Policies that Keep Jobs in California and Achieve Global Emission Reductions (Leakage)
3. Use Sound Scientific Methods of Review
4. Impose Only Cost-Effective & Technologically Feasible Regulations
5. Promote Innovation and Market-Based Strategies
6. Minimize and Fairly Allocate Compliance Costs

AB 32 (H&SC Section 38597) gives the California Air Resources Board (CARB) the ability to adopt a schedule of fees to pay for the program:

> *38597.* ***The state board may adopt by regulation, after a public workshop, a schedule of fees to be paid by the sources of greenhouse gas emissions regulated pursuant to this division, consistent with Section 57001. The revenues collected pursuant to this section, shall be deposited into the Air Pollution Control Fund and are available upon appropriation, by the Legislature, for purposes of carrying out this division.***

Consistent with the above general principles for the overall program, we urge that the following principles be used to ensure that fair and equitable funding and fees are adopted.

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- The primary goal of AB 32 is to reduce the statewide emissions of greenhouse gases (GHG) to 1990 levels by 2020. Statewide GHG emissions result from the myriad of activities that make up our way of life. General fund monies should be used to fund much of AB 32 implementation that concerns broad societal or public impacts.

- Consistent with Speaker Nunez's August 31, 2006 Letter to the Journal, prior to adopting fees on specific GHG emission sources, CARB must identify those reasonable, specific and direct program costs to regulate those specific GHG emission sources. Fees should be fair, appropriate and balanced so that large and small sources and different business/industry sectors are assessed fees in an equitable manner that does not impose, burden or give an advantage to one business/industry sector over another. Fees on specific GHG sources should reflect the direct burden, impact or benefit resulting from the CARB effort to regulate the specific GHG source.

- Program funding should be set and capped at levels appropriate and adequate to cover the mandated regulatory program.

- Fee formulas should be designed to fund no more than the annual program needs and should not automatically increase.

- Fees should sunset after five years. If programmatic and funding needs increase, legislative review and authorization or reauthorization should occur.

- Fees should be stable, predictable and understandable so that the fee payer can plan and budget for fee payments.

- Fees should be developed and adopted pursuant to state administrative procedures; emergency procedures should be avoided.

- To ensure that adopted fees are consistent with the above principles, an advisory group of fee payers should be consulted on program implementation, effectiveness and fee equity.

Sincerely,

Dorothy Rothrock
Co-Chair AB 32 Implementation Group
Vice President
California Manufacturers &
Technology Association

Dominic DiMare
Co-Chair AB 32 Implementation Group
Vice President
California Chamber of Commerce

cc: Members of the California Air Resources Board