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Submitted via web: <http://www.arb.ca.gov/cc/capandtrade/comments.htm>

Mr. Steve Cliff  
Chief, Climate Change Markets  
Air Resources Board  
1101 I Street,  
Sacramento, CA

Re: Comments on Draft Amendments for Linking California's and Quebec's Cap and Trade Programs

Dear Mr. Cliff:

Chevron has been a California company for more than 130 years and is the largest Fortune 500 Corporation based in the state. We have actively participated in stakeholder meetings, broad-based industry and environmental group meetings, and discussions with the Air Resources Board (ARB) and its staff in order to make the program workable for California companies to achieve the goals of AB 32. Chevron provides these comments on the Draft Amendments for Linking California's and Quebec's Cap and Trade Programs.

Chevron supports a well-designed cap and trade program that is linked to a broader market as a mechanism to achieve real emission reductions in a cost-effective manner. Only with this broad linkage can California avoid severely disadvantaging its economy and driving investment and jobs out of the state. Linking to Quebec does not represent linkage to a broader market. While we understand that it is a first step and not the last step, we continue to have concerns with how linkage and administrative design rules proposed in the regulation could have potential negative impacts and other unintended consequences on the future cap and trade program:

- 1. Linkage with Quebec should not further entrench flawed market policies, such as holding limits. These policies punish larger entities that have invested in California and, as a result, have larger compliance obligations than the holding limits.**

Not only are flawed market policies such as the holding limit problematic for the participants in both jurisdictions, these overly restrictive policies will lead to higher costs. Holding limits decrease liquidity by creating a barrier to entry for the voluntary market participants (e.g., market makers, investors) and restricting the availability of allowances on the market. High-cost markets do not benefit the overall environmental goals of the program. High costs will chill the interest of other markets in linking with California.

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Because changes to the joint market will require changes to both Quebec and California policies, linkage to Quebec will result in unreasonable new hurdles to modify flawed market policies. We propose that simpler approaches using minimum criteria rather than a combined market are better for all. Linkage can be pursued using the minimum harmonization criteria necessary for all parties to have confidence that the reductions represent real reductions and that reductions will be made to the same level in each partner's market (i.e., the caps are equivalent).

**2. Administrative requirements should not complicate the regulated party's compliance burden.**

We support the grace period when holding limits are exceeded. However, in order to provide business certainty and fair treatment for all, any grace period should include exemption of the compliance entity from the threat of fines and penalties.

We agree that a time frame for confirmation of trades is necessary. Limits on time for confirmation should allow for reasonable internal review and occasional contingencies. A 24-hour period required to confirm a trade is not sufficient to assure that trades will proceed efficiently. We propose a period of 48 business hours to allow for unexpected absences and internal review.

Know Your Customer requirements, while conceptually reasonable, must be balanced to minimize unnecessarily intrusive collection of an individual's confidential information. Know Your Customer should recognize the difference between a representative of a covered entity and a representative for a non-covered entity. Covered entities have the capacity to ensure the identity of their employees who are authorized to act on their behalf. Documentation requirements such as an open bank account in the U.S. or Canada, address of permanent residence, and passport number should not be necessary for an authorized representative for a covered entity.

In conclusion, we recommend simpler approaches to linkage and market administration that will better serve the state and the goals of AB 32. We look forward to working with you to develop this program in a way that helps create a well-functioning market with reasonable administrative rules that is able to continually expand through additional linkages. We believe this best fulfills the promise of AB 32.

Sincerely,

*Original sent via e-mail (JMB)*

Stephen D. Burns