



Local  
Government  
**SUSTAINABLE ENERGY**  
Coalition

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December 10 2010

Kevin M. Kennedy, Ph.D.  
Assistant Executive Officer  
California Air Resources Board  
1001 I Street  
P.O. Box 2815  
Sacramento, California 95812

RE: Draft Cap and Trade Regulation

Dear Mr. Kennedy:

The Local Government Sustainable Energy Coalition (“LGSEC”) urges the California Air Resources Board (“CARB”) to incorporate in the regulations adopting a Cap and Trade program explicit recognition of the key role local governments will play in achieving California’s climate action goals. Our members include the leading local governments in California on issues related to energy efficiency, clean energy, and sustainable resource use.<sup>1</sup> The LGSEC has been an active participant in the CARB process to date on Cap and Trade. CARB is to be commended for bringing California to this point in developing policies and programs to reduce greenhouse gas emissions.

Any Cap and Trade program should recognize actions by local governments that go above and beyond whatever is required by State regulators. Our goal is a mechanism to reward local governments for participating in climate action programs. This also could provide a revenue stream for local governments to fund further activities. Related to the October 2010 Draft Cap and Trade Regulation, the LGSEC has two recommendations:

1. CARB should include in any Cap and Trade Regulation it adopts language that explicitly recommends that allowance auction revenue deposited into the Air Pollution Control Fund be used to support local government programs and initiatives. The purpose is to direct the Governor’s office and the Legislature to appropriate allowance auction revenue to local governments to facilitate a community benefit fund, for example.
2. Alternatively, the energy utilities will be given allowances with the obligation to auction them. The proceeds from utility auctions will be subject to California Public Utilities Commission direction for the investor owned utilities and local governing boards for public utilities. Less desirable from a local government perspective, there is room under section

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<sup>1</sup> Across California, cities, counties, associations and councils of government, special districts, and non-profit organizations that support government entities are members of the LGSEC. Each of these organizations may have different views on elements of this letter, which was approved by the LGSEC’s Board.

95892(d)(3) for the Regulation to be augmented with a paragraph that says “electrical distribution utilities shall [ensure that proceeds from allowance auctions are provided to local governments for programs that reduce greenhouse gas emissions].” Local governments are a key partner in realizing climate change goals, as CARB has recognized throughout its proceedings to implement AB 32. Local governments will be best able to assist CARB if we are provided incentive and opportunity to participate in the program.

The LGSEC looks forward to continuing to work with CARB and other State regulators on these and related matters. Please contact me with any questions or comments.

Sincerely,

A handwritten signature in blue ink that reads "Jody London".

Jody London

Regulatory Consultant

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