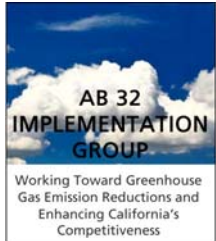


October 18, 2011



The Hon. Mary Nichols, Chair
California Air Resources Board
1001 I Street
Sacramento, California 95814



Re: **Proposed Cap-and-Trade Regulation**

Dear Chairwoman Nichols:

The undersigned organizations have significant concerns that the cap-and-trade rule currently contemplated by the California Air Resources Board is a poorly designed policy that will increase energy costs and lead to leakage of businesses, jobs and economic activity. This directly contradicts not only the requirement under AB 32 that such regulations must minimize negative economic impacts but the Governor and Legislature's stated goal of preserving and creating jobs as the most important means of fueling our state's economic recovery.



Specifically:



California cannot afford to go it alone. CARB's AB 32 Scoping Plan observes that "California cannot avert the impacts of global climate change by acting alone," and anticipates a regional cap-and-trade program in coordination with states in the Western Climate Initiative. However, no other states in the WCI are pursuing cap-and-trade policies, nor is the federal government. California would be going it alone, to the severe detriment of our competitiveness and economy.



The independent Legislative Analyst's Office concluded last year: "California's economy at large will likely be adversely affected in the near term by implementing climate-related policies that are not adopted elsewhere ... this ... will adversely impact the state's economy through such avenues as causing the prices of goods and services to rise; lowering business profits; and reducing production, income, and jobs. These adverse effects will occur in large part through economic leakage, as certain economic activity locates or relocates outside of California where regulatory-related costs are lower."



With the second-highest unemployment rate in the nation, California simply can't afford to go it alone on cap-and trade.



Arbitrary 10% "haircut" is an unjustified, job-killing tax. By forcing trade-exposed industries to purchase up to 10% of what were to be free emissions allowances, CARB will be in effect imposing a new tax on regulated entities. In addition to being legally questionable, this tax will lead to dramatically higher energy costs that will harm virtually every sector of our economy.



California
Business
Properties
Association

You yourself have been quoted as estimating the amount of proceeds generated from this program could be as much as \$500 million in the first compliance period and grow to \$2 billion in subsequent periods. We respectfully disagree with your opinion that putting a multi-billion dollar tax on carbon will send the price signals necessary for a



successful cap-and-trade program. On the contrary, such an approach will be successful only in killing jobs, driving more businesses out of California and exporting GHG emissions to unregulated regions.



Carson Black Chamber of Commerce



KernTax
Facts Through Research



CIPA



No environmental benefit. Singling out trade-exposed industries by depriving them of the free allowances which are essential to a California-only cap-and-trade program will do nothing to achieve meaningful GHG reductions. The Analysis Group recently cautioned CARB: “With none of California’s neighboring states committing to climate targets, emission leakage will continue as a potential risk to the program’s environmental integrity.”

California ratepayers and businesses are already facing the burden of higher utility costs associated with existing laws and regulations mandating a transition to lower-carbon and renewable energy sources. In view of the fragile state of California’s economy, this is the worst possible time to impose yet another new energy tax on struggling businesses and consumers, especially since not even the other Western Climate Initiative states are willing to risk their own economies on costly cap-and-trade programs.

In summary, the imposition of a new tax on business or other “price signals” are not necessary to achieve the emissions reduction goals of AB 32, and will serve only to further cripple our economy, increase unemployment and impair our competitiveness.

We strongly oppose such taxes in any form, and urge you to modify the cap-and-trade program to avoid the economic consequences they will bring.

Sincerely,

California Chamber of Commerce

California Manufacturers and Technology Association

AB 32 Implementation Group

California Hispanic Chambers of Commerce

California League of Food Processors

Howard Jarvis Taxpayers Association

National Federation of Independent Business/California

California Small Business Alliance

California Business Properties Association

Small Business Action Committee

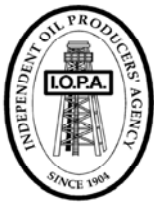
Industrial Environmental Association

Santa Barbara Technology and Industry Association

Kern County Taxpayers

San Diego Tax Fighters

Santa Barbara County Taxpayers Association



Western States Petroleum Association
 California Independent Oil Marketers Association
 California Independent Petroleum Association
 Independent Oil Producers Agency
 Sacramento Black Chamber of Commerce
 Carson Black Chamber of Commerce
 Long Beach Black Chamber of Commerce
 Kern County Black Chamber of Commerce
 Moreno Valley Black Chamber of Commerce
 Greater Los Angeles African American Chamber of Commerce
 African American Chamber of Commerce of San Joaquin Valley
 Regional Black Chamber of Commerce of San Fernando Valley
 Sacramento Cultural HUB
 California Association of Black Pastors
 Professional Small Business Services, Inc.
 Black Business Association
 Hispanic Chamber of Commerce of Contra Costa County
 American GI Forum
 American GI Forum Women of California
 Antelope Valley Hispanic Chamber of Commerce
 Antelope Valley Black Chamber of Commerce
 Greater Riverside Hispanic Chamber of Commerce
 Hispanic Chamber of Commerce of Silicon Valley
 South Bay Latino Chamber of Commerce
 Los Angeles Metropolitan Hispanic Chamber of Commerce
 San Joaquin County Hispanic Chamber of Commerce
 Greater Corona Hispanic Chamber of Commerce