



Michael Rubio
Manager
California Government Affairs

Chevron Corporation
Policy, Government & Public Affairs
1201 K Street, Suite 1910
Sacramento, CA 95814
Tel (916) 325-3000
Fax (916) 441-5031
michael.rubio@chevron.com

September 15, 2014

Sent via Email

Clerk of the Board
California Air Resources Board
1001 I Street, P.O. Box 2815
Sacramento, CA 95812

Subject: Proposed 45-Day Amendments to the Cap and Trade Regulation dated July 29, 2014

Dear Sir or Madam:

Chevron U.S.A. Inc., "Chevron", has been a California company for more than 130 years and is the largest Fortune 500 Corporation based in the state. We have participated, and will continue to participate, in stakeholder meetings and discussions with ARB senior management and its staff in order to make the cap and trade program and the proposed disclosure requirement rule workable for California, while meeting the goals of AB 32.

We have appreciated the opportunity to work with staff and management to clarify our concerns regarding the corporate affiliation disclosure requirements. Although significant progress has been made, we suggest that these issues need continued stakeholder engagement and more creative solutions in order to effectively resolve our concerns.

Specifically, we urge ARB to continue to work with us and other stakeholders to further explore better options for the following sections of the regulations:

- Disclosure of Corporate Associations – Sections 95830 and 95833 requiring identification and specific information on all other entities with which there is an indirect or direct corporate association.
- Auction Administration and Participation Application – Section 95912 requiring entities who desire to participate in an auction to provide "An attestation disclosing the existence and status of any ongoing investigation or an investigation that has occurred within the last ten years for the entities and any corporate association."

The Expanded Disclosure Requirements

We have previously commented on changes to these provisions that took effect on July 1 of this year. The July 1 changes represent a significant expansion of the previously effective disclosure

requirement, which required registrants to disclose their corporate affiliations only with other registrants. The July 1 changes expanded the disclosure requirement to **all** corporate associations, regardless of whether those corporate associations involve affiliates that are not registered under the program or that operate in distant regions of the world. The newly expanded corporate affiliate disclosure requirements add significant market and administrative challenges to a program that is already complex. Complex provisions create administrative burdens and multiply the chances for covered entities to inadvertently trip legal requirements, even when they are complying with the program in good faith.

Chevron recognizes that finding solutions that meet ARB's concerns to prevent fraud and foster an effective program, without burden and potential for inadvertent non-compliance, is difficult. Chevron appreciates that ARB's senior management has engaged with industry on these issues, including as part of joint industry and ARB discussions held on July 27. Chevron also appreciates that ARB provided temporary relief from the new disclosure requirements through guidance issued on July 29, two days before the updated disclosure deadline. In particular, Chevron applauds ARB's decision to allow public company registrants such as Chevron to use existing documentation such as an SEC filing to satisfy the disclosure requirement. The 45-day package's proposed amendments to the disclosure requirement also take a step in the right direction by only requiring updates to the disclosure annually, rather than quarterly. The underlying issue, however, remains unaddressed because covered entities still need to comply with a disclosure requirement that is both overly burdensome and poorly tailored to address ARB's regulatory concerns.

The Auction Administration and Participation Application Attestation

The burden of the corporate reporting is exacerbated by the attestation requirements applicable to entities that wish to participate in an ARB auction. Under the changes that became effective on July 1, the requirement now goes back 10 years and applies to all corporate affiliations disclosed to ARB. The scope plainly creates an undue burden and potential for inadvertent non-compliance for any large, multi-national public companies whose disclosed corporate affiliates conduct business that is wholly unrelated to the AB 32 market. Chevron urges ARB to limit the regulatory attestation to the auction applicant only and to limit the look-back period to five years which is the typical time period under statutes of limitation.

Recommendation for 15-Day Changes and Revised Guidance

Chevron agrees with ARB's July 29 guidance which allows for use of the SEC Form 10-K disclosure. Chevron has been working with a joint industry group led by the California Manufacturers and Technology Association ("CMTA") to develop revisions to the disclosure requirements (the "**Joint Industry Proposal**", included as Exhibit 1 to this letter). Also, Chevron has participated in the work undertaken by the joint industry group and ARB staff to develop a 15-day rulemaking proposal and revised guidance. Although this work is ongoing, the discussion with ARB staff has been constructive and we are hopeful that, together, the 15-day changes and revised guidance will be largely consistent with the Joint Industry Proposal.

Recommendation for the Next 45-Day Rulemaking

What the regulated community truly needs is a set of clear and permanent regulations that industry understands and can implement while at the same time enabling ARB to monitor the AB32 carbon market effectively. The steps outlined above instead rely heavily on guidance to clarify the regulatory provisions which is not as effective as having clear and permanent regulations. Accordingly, we urge ARB to include the Joint Industry Proposal in the next 45-day rulemaking.

Conclusion

Chevron sincerely appreciates the opportunity to work with ARB staff and leadership and submit these comments on the proposed 45-Day Amendments to the Cap and Trade Regulation, dated July 29, 2014 for consideration. Chevron urges the ARB to make changes to address the serious issues outlined above which are likely to cause significant administrative burden or inadvertent non-compliance without effectively or efficiently identifying bad actors. Please do not hesitate to contact us, if you have questions regarding these comments.

Sincerely,



Michael Rubio
California Government Affairs

Enclosure: Exhibit 1 - Joint Industry Proposal

cc: Richard Corey, ARB
Edie Chang, ARB