



Mary D. Nichols, Chairman
California Air Resources Board
1001 I. Street
Sacramento, CA 95814

April 24, 2013

Re: Draft Cap-and-Trade Auction Proceeds Investment Plan

Dear Chairman Nichols:

On behalf of Environmental Defense Fund (EDF), I am writing to provide comments on the Draft Cap-and-Trade Auction Proceeds Investment Plan.

Since the idea of an investment plan was first developed, EDF, like many others, has been providing comments to CARB, the legislature, and the administration on the benefits that can be achieved by investing AB 32 auction proceeds in a wise and thoughtful manner. In 2012, we authored a report titled *Invest to Grow*, and submitted it into agency and administrative venues. This report documented the tremendous need and opportunity associated with investing auction proceeds to cut greenhouse gas emissions. After considerable work by the agency, as embodied in the investment plan, we submit this letter in strong support for the overall product, and look forward to constructive participation going forward.

It is worth noting that several coalitions have or will be providing comments supporting specific investment areas reflected in the investment plan, including suggesting targeted areas for refinement. While each of those proposals warrants consideration, we write here on the general framework.

We support the idea of investment phases articulated in the draft investment plan. Both near and long-term investments are needed to help California achieve the state's 80% reduction goal by 2050. It is important to get early wins by using proceeds to support already-established programs such as energy efficiency retrofits and incentives for zero emission vehicles, but it is equally important to fund transformational projects such as advanced technologies that will enable a smart grid or innovations in agricultural practices such as fertilizer management. We especially want to see projects that can deliver a "triple bottom line," which benefit people, the planet, and the economy. The thorough discussion of co-benefits provided in the investment plan makes it clear that ARB and DOF are also focused on this triple bottom line.

The rationale for investing in the transportation and energy sectors, which represent the largest sources of emissions in California, is sound - as are investments in natural resources and waste diversion based on the high potential for reductions and co-benefits. We are particularly

pleased to see the plan highlight two areas that EDF has worked closely on, 1) energy efficiency financing for commercial and residential use and 2) reducing emissions in the agricultural sector. EDF is currently working on an On-Bill Repayment (OBR) proposal that is being implemented by the PUC and is under consideration by the California Legislature. OBR provides an affordable alternative to traditional energy efficiency financing and expands clean energy access beyond what is achievable through other programs, allowing renters and deed-restricted multifamily property owners to pursue energy upgrades. As the investment plan also recognizes, California's working lands can be a key to the climate change solution. For example, more agricultural lands means less urban sprawl and fewer vehicle miles traveled. Similarly, reducing fertilizer use can reduce the release of nitrous oxide into our air and nitrates into our water.

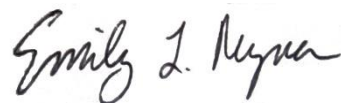
EDF also believes that the phase of this process when state agencies develop policies and procedures to process the funding and ensure transparency and accountability is critically important to overall success. We support the plan's attention to these issues and we encourage the further development of procedures that enable investments in GHG reductions to be supported by strong science. We also believe it is necessary to have consistent GHG accounting methods that are developed with guidance from CARB. For example, the plan's focus on after the fact reporting of reductions made, jobs generated, and community benefits is excellent, but more may be appropriate in this area to standardize reporting and calculations.

EDF appreciates the opportunity to provide these comments and looks forward to working with the Air Resources Board, the Department of Finance, the Governor's Office and other stakeholders to ensure that proceeds are invested wisely and accelerate economic growth in sectors that put Californians to work and help the state protect the environment and public health.

Sincerely,



Erica Morehouse
Staff Attorney
Environmental Defense Fund



Emily Reyna
Senior Manager, US Climate and Energy
Environmental Defense Fund

Cc: Cliff Rechtschaffen, Governor's Office
Martha Guzman-Aceves, Governor's Office
Ken Alex, Office of Planning and Research
Karen Finn, Department of Finance
Jack Kitowski, Air Resources Board

