



Clerk of the Board
California Air Resources Board
1001 I Street, Sacramento, California 95814
Submitted to: <http://www.arb.ca.gov/cc/scopingplan/2013comments.htm>

1 November 2013

IETA COMMENTS ON CALIFORNIA AIR RESOURCES BOARD'S SCOPING PLAN UPDATE DISCUSSION DRAFT

The International Emissions Trading Association (IETA) appreciates this opportunity to provide comments related to the California Air Resources Board's (ARB) Scoping Plan Update Discussion Draft and associated materials as outlined at the 15 October Public Workshop. We thank you for considering IETA's perspectives on the matter.

ABOUT IETA

IETA is dedicated to the establishment of market-based trading systems for greenhouse gas emissions that are demonstrably fair, open, efficient, accountable, and consistent across national boundaries. IETA has been the leading voice of the business community on the subject of emissions trading since 2000. Our 140 member companies include some of North America's, and the world's, largest industrial and financial corporations—including global leaders in oil & gas, mining, power, cement, aluminum, chemical, pulp & paper, and investment banking. IETA also represents a broad range of global leaders from the industries of: data verification and certification; brokering and trading; offset project development; legal and advisory services.

OVERVIEW

IETA's comments are structured around five topics:

- 1. Post-2020 Cap-and-Trade Program Continuation**
- 2. Cross Border Coordination**
- 3. Treatment of Short Lived Climate Pollutants**
- 4. Global Warming Potential of Methane**
- 5. Additional Analysis**

1. POST-2020 CAP-AND-TRADE PROGRAM CONTINUATION

IETA strongly supports ARB's inclination to continue the cap-and-trade program beyond 2020. As officials know, the cap-and-trade program provides an integral market-based policy tool to achieve emissions reductions in an economically efficient manner.

We are pleased to see that within the Discussion Draft, ARB appreciates the importance of providing the California market place with policy clarity that the cap-and-trade program will continue beyond 2020. This is extremely important for investment decisions and compliance strategies between now and the lead up to 2020.



The draft Board Resolution¹ released on 25 October 2013 recommends ARB staff develop a post-2020 cap-and-trade program plan before the beginning of the third compliance period. IETA strongly recommends that the post-2020 plan be determined well before the third compliance period. Compliance entities and investors need certainty of a long-term price on carbon in order to justify investments that have a 5-10 year pay-off period. Waiting until 2017 for the post-2020 policy landscape to be determined provides a dangerous level of uncertainty that will stunt investment and confuse compliance strategies.

Further, IETA is curious as to which entity has the legal authority to extend the cap-and-trade program. Does ARB have the authority to unilaterally extend it through AB 32? Or is legislative or governor approval required?

This ambiguity on ARB's authority to implement post-2020 policy goals extends to a large portion of the Discussion Draft document generally, and IETA recommends that ARB clarify that authority.

2. CROSS BORDER COORDINATION

At the 15 October Scoping Plan Update workshop, Staff acknowledged that future targets should "align with targets under consideration elsewhere in the developed world." IETA supports this approach. As linkage with Quebec starts up, IETA continues to encourage ARB to work with additional jurisdictions to explore the possibility of expanding the geographical scope of market. The scoping plan update should not limit its ambition to actions only within California. Efficiency gains and business opportunities for California companies can be unlocked through emission reductions that occur outside the state as well as within. Where possible, the scoping plan should strive to lead the development and coordination of regional and cross border emission reduction efforts as is exemplified through the recent [Pacific Coast Action Plan on Climate and Energy](#) signed by California, Oregon, Washington, and British Columbia.

3. TREATMENT OF SHORT LIVED CLIMATE POLLUTANTS

If the treatment of Short Lived Climate Pollutants translates into additional regulation of methane, how will any methane-related offset protocols be affected, particularly surrounding additionality?

4. GLOBAL WARMING POTENTIAL OF METHANE

The Discussion Draft suggests that the global warming potential (GWP) of methane may be re-examined and increased at some point moving forward.

If so, it seems necessary that caps should also be re-examined and potentially raised to reflect new measurements. Has ARB considered the implications of how a raise in the GWP of methane will affect the caps in the cap-and-trade program?

¹ Proposed Board Resolution 13-44, access here: <http://www.arb.ca.gov/cc/capandtrade/oct-25-drft-brd-res.pdf>



5. ADDITIONAL ANALYSIS

Much of the portion of the Discussion Draft dedicated to post-2020 activity, goals, etc., makes quite broad, ambitious statements and recommendations, without including analysis to back up those goals, or consideration of cost and impact to the state.

AB 32 makes repeated reference to ensuring that GHG reductions are technologically feasible and cost-effective² and defines cost-effectiveness as the cost per unit of reduced emissions of greenhouse gases³. In order to meet these requirements and promote a constructive dialogue about sensible and affordable clean energy policy, we recommend that future conversations around post-2020 include a transparent, analytically based, decision-making framework to prioritize reduction measures.⁴

It is important that ARB frame its scoping plan update on quality studies from the beginning, rather than retrospectively attempting to align previously stated goals with analysis that may or may not exist. ARB should provide itself as much time as needed to ensure evaluation of abatement costs has been carried out before adopting the Scoping Plan Update.

IETA would also like to see the scoping plan update include more details on progress to date, pre-2020, in areas such as: the Low Carbon Fuel Standard; combined heat and power; the Renewable Portfolio Standard; and fuels under the cap.

CONCLUDING REMARKS

IETA appreciates the opportunity to share our comments related to ARB's Scoping Plan Update Discussion Draft and associated materials. Not only is IETA intent on helping to support a fully-functional California carbon market, we are also committed to helping achieve the goals of AB 32 to develop inter-jurisdictional and regional linked markets in order to realize environmental goals in an economically efficient manner.

If you have any questions, or further clarification is required, please do not hesitate to contact Robin Fraser (fraser@ieta.org) or Katie Sullivan (sullivan@ieta.org).

Sincerely,

Dirk Forrister
President and CEO

² AB 32 requires that the ARB plan to achieve the "maximum technologically feasible and cost-effective reductions" (§38560.5(b) of the Health and Safety Code).

³ See §38505(d) of the Health and Safety Code.

⁴ AB 32 requires that the Scoping Plan "evaluate the total potential costs and total potential economic and noneconomic benefits of the plan for reducing greenhouse gases to California's economy, environment, and public health, using the best available economic models, emission estimation techniques, and other scientific methods" (§38560.5 (d) of the Health and Safety Code).