



June 17, 2013

Chairman Mary Nichols and Board Members
California Air Resources Board
1001 "I" Street
Sacramento, CA 95814
Submitted electronically to <http://www.arb.ca.gov>

Re: Natural Gas Suppliers Under the Cap-and-Trade Program

Dear Chairman Nichols and Board Members,

As the Air Resources Board considers the treatment of natural gas suppliers in the cap-and-trade program, The Greenlining Institute asks that the Board preserve several critical principles. These principles include, but are not limited to, maintaining a transparent carbon price signal, protecting low-income households, customer education, and recognizing the public asset nature of the atmospheric carbon sink. We appreciate the productive stakeholder workshop conducted on June 3, 2013. We agree with staff that the regulatory treatment of natural gas should encourage emissions reductions, preserve equity, and maintain consistency within the overall cap-and-trade regulation.

While Greenlining does not support giving free allowances to compliance entities, we recognize the value of doing so to provide ratepayer benefits, as is the case in the electric sector. The California Public Utilities Commission rulemaking and decision on electric sector allowances created a strong precedent for how to equitably return allowance value to ratepayers. The Commission recognized that it is inequitable to disproportionately reward high consumption by returning more allowance value to those facing the highest GHG costs and less allowance value to those facing the least GHG costs. We agree with the Commission that “creat[ing] a GHG price signal only to offset it through the allocation of allowances would short-circuit the basic economic functioning of this process by preventing producers, and ultimately consumers, from seeing that price signal and that [t]his would negate the point of the Cap-and-Trade policy.”¹

¹ California Public Utilities Commission, Rulemaking 11-03-012, Decision 12-12-033 (December 20, 2012) at 62-67.

Greenlining Coalition:

Allen Temple Baptist Church
American GI Forum
AnewAmerica
Asian Business Assn
Asian Inc
Black Business Assn.
Brightline Defense Project
California Black Chamber
California Hispanic Chambers
California Journal for FilAm

California Rural Legal Assistance
Chicana/Latina Foundation
Chicano Federation, San Diego
Community Child Care Council
Community Resource Project
Council of Asian American Business Assn.
El Concilio of San Mateo County
Ella Baker Center
FAME Renaissance
Greater Phoenix Area Urban League

Hispanic American Growers Assn.
Hmong American Political Assn.
KHEIR Center
La Maestra Family Clinic
Mexican American Grocers Assn.
Mexican American Political Assn.
Mission Language & Vocational School
Mission Housing Development Corporation
National Federation of Filipino American Assn.
Oakland Citizens Committee for Urban Renewal

Our Weekly
Precinct Reporter Group
Sacramento Observer
San Francisco African American Chamber
San Francisco Housing Development
Search to Involve Pilipino-Americans
Southeast Asian Community Center
TELACU
Ward Economic Development
West Angeles Community Development

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The Commission also recognized the critical importance of protecting low-income consumers and communities. These households tend to spend a greater proportion of their incomes on basic goods and services and thus will experience disproportionate carbon pricing impacts at the pump, the meter, and at the grocery store as a share of total household income. In addition, the Commission appropriately considered the “disproportionate impacts on low income households and communities resulting from climate change itself, given the relatively limited capacity these households and communities may have to adapt to changing climatic conditions and associated environmental, economic and public health effects.”²

Consistent with the application of SB 1018 to the electric sector, any allocation methodology should be communicated clearly and effectively with all ratepayers. Baking the costs and benefits into opaque rate-design without does little to help customers understand the relationship between their consumption choices and California’s efforts to fight climate pollution. Californians value transparency and want to be engaged. As such, the Board should adopt an allocation mechanism that facilitates public awareness to the maximum extent feasible.

It would be environmentally irresponsible and an injustice to allocate allowance value based on who generates the highest levels of pollution. That model would reward the very behavior that the program seeks to mitigate. The atmosphere is a public commons to which all individuals have equal claim. Ultimately, households, in particular low-income households, will bear the burden of carbon pricing. As such, whatever delivery mechanism is selected, the Board should strive to ensure that households enjoy the lion’s share of benefits, whether through targeted clean energy investments or through the landmark Climate Dividend created by the CPUC.

For these reasons, we respectfully ask the Board to reject any allocation proposal that is inconsistent with principles of equity and encouraging emissions reductions, including proposals for free allocation without conditions and volumetrically calculated rebates. Instead, the Board should adopt a transparent and accountable revenue delivery mechanism that provides California’s low-income households the best chance at maintaining resilience in the face of our climate crisis.

Sincerely,



Ryan Briscoe Young
Legal Counsel
The Greenlining Institute

² Decision 12-12-033 at 66-67.

