



October 23, 2007

Mary D. Nichols
Chair, California Air Resources Board
1001 I Street
P.O. Box 2815
Sacramento, CA 95812-2815

RE: COMMENTS ON EXPANDED LIST OF EARLY ACTION MEASURES RECOMMENDED FOR BOARD CONSIDERATION

Dear Ms. Nichols,

The California Chamber of Commerce, the state's largest business advocate and representing over 16,000 members, is an active voice in the implementation of AB 32. Since the signing of AB 32, the CalChamber has been committed to finding the best solutions to reduce our global greenhouse gas emissions without hurting the state's economy or driving businesses and their emissions elsewhere. To be a true leader in the fight against global warming, we believe the state should promote its best practices and programs on a global scale.

The Global Warming Solutions Act of 2006 has given the Air Resources Board (ARB) the enormous task of regulating the state's greenhouse gas emissions. A part of this task is designed in such a way to implement specific command and control regulations or "discrete early actions" on a handful of industries that emit greenhouse gases. These discrete early actions will affect the majority of our membership, either directly or indirectly, due to a number of factors. Based on your staff's most recent report released in October 2007, the CalChamber would like to offer the following comments.

It is vital that discrete early actions meet the "cost-effective" requirement under AB 32. The cost-effective requirement helps to ensure that the implementation of AB 32 will not increase costs for consumers, threaten jobs or make California companies uncompetitive. However, it remains unclear what methodology ARB staff has used to classify the nine potential discrete early actions as cost-effective. It also appears that several of the nine recommended actions are only expected to meet this requirement and will require further cost analyses as they progress through the regulatory development process. We would ask that the ARB be as forthcoming as possible with stakeholders and the public as to the methodology used when conducting further cost analyses, as well as the exact definition of "cost-effective" used as the benchmark for qualifying discrete early actions.

The recognition of voluntary early emission reductions is necessary and will help to provide much needed regulatory certainty. We appreciate the attention given to voluntary early emission reductions in the most recent staff report and hope to help craft a strong mechanism for ensuring industries are not punished for their efforts in reducing their emissions before regulations are in place. By providing regulatory certainty, the ARB can encourage businesses to make quick and efficient reductions rather than delaying such actions. The earlier reductions made possible by regulatory certainty will help make our 2020 greenhouse gas reductions goals more achievable and will reduce the severity of mandatory reductions implemented later in the AB 32 timeline.

By giving businesses credit for taking initiative, we are also recognizing those that have been true leaders in this fight and are setting an example for those industries that have yet to begin reducing their greenhouse gas emissions. It is vital that we continue to encourage voluntary actions so the state can continue to pioneer new technologies and much needed investment for the future. Such a mechanism can be a great tool to bring businesses to the table to help create solutions to this global problem.

Economic analysis is vital for all proposed early action measures. It is important the state conducts thorough analyses of each proposed “discrete early action” before regulations are finalized. This includes not only a full understanding of the action itself, but also an accompanying economic review of the action to be taken and its potential effects on the state’s economy, consumers, and businesses. Without a critical economic review and analysis of each proposed action, businesses and consumers will have little certainty and faith in the proposed regulations and will be blind-sided by the effects of these actions when they are in effect.

We believe circulating the proposed actions through a critical economic review process will provide a good template for future actions that will be taken up by the ARB. Beginning this economic review process right now will ensure a credible system for the future.

Due to the global nature of this issue, California is being watched by a number of states and nations as it embarks on this regulatory program. It is important the state works hard to build a system that will be a model for others. A key component to building such a system is understanding the full-cycle effects of each recommended regulation. We hope the CalChamber and its membership can serve as tool to help you and your staff come up with the best solutions to reducing our state’s greenhouse gas emissions. We look forward to working with you on this topic in the future. If you have any questions, feel free to contact me at (916) 444-6670.

Sincerely,



Amisha Patel
Policy Advocate

cc: Members of the California Air Resources Board
John Moffat, Office of the Governor
Chuck Shulock, Program Manager, ARB

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