



June 22, 2012

Mary Nichols, Chair
California Air Resources Board
1001 I Street, PO Box 2815
Sacramento, CA 95812

RE: Recommendation for Investing Cap-and-Trade Auction Proceeds

Dear Chair Nichols:

Thank you for the opportunity to comment on the investment plan for the auction proceeds from California's Cap-and-Trade program. The Monterey Bay Unified Air Pollution Control District (District) supports the Cap-and-Trade program as a strategy to reduce the State's greenhouse gas (GHG) emissions that contribute to climate change. The District agrees that thoughtful investment of auction proceeds can further the purpose of AB 32 and deliver long-term economic, environmental, and clean energy benefits. However, our mission is to protect public health while balancing economic and air quality considerations. Therefore, the District believes there is also an opportunity for the State to invest the auction proceeds toward activities that maximize the co-benefit of improving air quality and protecting public health. The State can support this co-benefit by defining investment criteria and funding activities that reduce GHG emissions as well as criteria pollutants and air toxics.

Investment Criteria

The investment criteria for the auction proceeds should be based on supporting programs and projects that reduce criteria pollutant and air toxics emissions in addition to GHG emissions. The funding recommendations presented below support this concept.

Funding Recommendations

The District recommends the following programs be supported through use of auction proceeds from the Cap-and-Trade program. These programs will help the State achieve the goals of AB 32 while also making significant contributions to reducing criteria pollutant and air toxics emissions. In addition, these types of projects are critical to achieving the longer-term objectives of developing the technology and infrastructure to support a clean energy economy and assisting local government and communities.

1. Assist development and implementation of local climate action plans

Many local jurisdictions in the Monterey Bay Area are working toward to developing and implementing climate action plans. However, local jurisdictions are also facing financial hardships making developing climate action plans a challenge. Having local climate action plans in place would help the State meet the goals of AB 32 while also supporting the Monterey Bay Area's sustainable communities strategies. Financial support from auction proceeds could have a significant, positive impact on the development and implementation of local climate action plans.

2. Support incentive programs

Programs that incentivize the turnover of older, less efficient equipment and vehicles would have the co-benefit of reducing GHG, criteria pollutant, and air toxics emissions. The following are examples of the types of programs that support this idea.

- Establish an incentive program for stationary sources, similar to the Carl Moyer program for mobile sources, to help accelerate turnover of older, energy-inefficient and higher polluting equipment. This could be of great benefit to companies and individuals that do not have the financial means to modernize their facilities or homes to become more energy efficient and less polluting. For example, funds for early retirement of older woodstoves would provide benefits in many geographic areas, including the Monterey Bay Area.
- Support an accelerated vehicle turnover program. Incentivizing the early retirement of both on-road and off-road vehicles would reduce GHG, criteria pollutant, and air toxics emissions.
- Establish an incentive program specifically for the purchase of electric vehicles (EVs) and installation of EV infrastructure. Additional incentive funding opportunities for consumers and businesses is needed to help with the purchase of cleaner, electric vehicles and installation of EV charging stations.
- Establish an incentive program for building retrofits. The existing built environment must be upgraded with increased energy efficiency, weatherization, and other retrofits in order to achieve the State's AB 32 goals.

3. Invest in technology

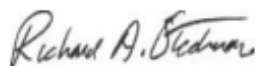
The California Air Resources Board must invest in technology to achieve reducing GHG emissions to meet the goals of AB 32.

- Implementing zero and near-zero emission technologies for trucks is needed to help reduce GHG, criteria pollutants, and air toxics emissions. The Monterey Bay Area has a large agricultural industry that would benefit from deployment of alternative fuel technologies for trucks. The types of technologies to be funded include fuel cell, battery electric, and hybrid electric, particularly hybrid electric with all-electric range.
- Develop a program to direct research, development, and deployment of mobile source technologies that would advance AB 32 goals while also reducing criteria pollutant and air toxics emissions. Research initiatives would help foster small businesses, boost our economy, and provide global technology leadership.

Finally, local air districts implement a variety of programs that establish a connection to local agencies, local business owners, and the general public. Our relationships with local business owners and governments, and our ability to successfully implement grant programs, align air districts in a unique position to partner with the State to administer and distribute funds.

Thank you for the opportunity to comment on the investment plan for the auction proceeds from the Cap-and-Trade program. I look forward to reviewing the State's investment plan for the auction proceeds.

Sincerely,



Richard A. Stedman
Air Pollution Control Officer