



ENVIRONMENTAL DEFENSE FUND

finding the ways that work

December 5, 2008

Honorable Mary Nichols, Chairman
California Air Resources Board
1001 I Street
Sacramento, CA 95812

Dear Chairman Nichols:

Environmental Defense Fund supports adoption and prompt implementation of the Global Warming Solutions Act (AB 32) Proposed Scoping Plan. California's environmental, economic and social well being are threatened by climate change, and quick action is needed to reverse course. By taking action now, California can protect the environment and reap a range of benefits. These benefits include creating well-paying jobs and energizing our economy, improving air quality and public health, and reducing dependence on imported energy. Further, we also believe that CARB can achieve substantial additional benefits and further progress toward our 2020 and 2050 goals by increasing the required emissions reductions from the land use sector.

New analysis shows how AB 32 Scoping plan will improve California's economy and create jobs.

Environmental Defense Fund remains confident that implementing the measures in the Scoping Plan will benefit the California economy. Recently, we commissioned a study by M.Cubed, (enclosed), which found that California is particularly well positioned to lead the nation's transition to a clean energy economy.¹ As a result of California's investments in industrial design, advanced fabrication, health, education, agriculture and tourism, our state is well positioned to take advantage of the opportunities created by AB 32 and avoid employment dislocations discussed by AB 32 skeptics. Additionally, AB 32 will continue to attract large amounts of energy research and development (R&D) investment. Investment in these sectors has more than doubled in the state since 2006 when the bill was passed. This investment will stimulate our economy and will further California's position as a leader in the fight against global warming.

Adoption of the Scoping Plan will improve public health in the state.

Ancillary reductions in criteria and toxic air pollutants associated with reducing greenhouse gases in California will save hundreds of lives and avoid thousands of lost work days per year, in addition to benefits achieved by existing air quality laws.² By adopting the Scoping Plan, CARB

¹ S. Moss, Getting The Job Done Right, Employment Growth Through California's Global Warming Solutions Act, December 2008

² Climate Change Proposed Scoping Plan, *Table 30: Estimates of Statewide Air Quality-Related Health Benefits in 2020*, page 89.

will also will help avoid increases in air pollution that are predicted both at home and abroad as a result of climate change. In addition, if the AB 32 scoping plan facilitates action by other states, the federal government, and foreign nations, the public health benefits associated with tackling climate change will be realized even sooner.

Increased dedication to reducing emissions from land use is important.

Throughout the development of the scoping plan, Environmental Defense Fund has asked the agency to improve the land use section reduction measures. Specifically, we have asked the Board to increase the land use target and include the Indirect Source Rule (ISR). Currently, the recommended statewide target for land use is 5 MMTCO₂E in 2020,³ with the actual regional targets determined through the SB 375 process. We continue to recommend that the Board raise the statewide target to achieve 11 to 14 MMTCO₂E emissions reductions per year by 2020.⁴ Further, the Board should commit to pursuing enforceable measures, such as an Indirect Source Rule for greenhouse gases.

New report demonstrates that CARB's current analysis is sufficient to move forward with adoption of the plan and the implementation of a multi-sector cap-and-trade program will to both maximize benefits and minimize costs to California.

Nearly every economic evaluation performed has shown that investments envisioned by AB 32 are unlikely to significantly impact the state's overall economic output, personal expenditures, or overall job supply.⁵ However, some critics have called for more economic analysis prior to adoption of the plan because of needs to compare alternative policy choices. In a recent report commissioned by Environmental Defense Fund, (enclosed), Dr. Richard McCann found that current economic modeling tools are inadequate to capture the full range of benefits associated with market based measures.⁶ Such tools are therefore inadequate to determine whether to pursue a particular policy choice, and policy makers should look to historical lessons and economic principles as more informative.

In his report, Dr. McCann found that historical lessons and economic principles show market based measures provide significantly more incentives to achieve emissions reductions than command and control measures. And, since current economic models insufficiently capture the range of actions associated with market based measures, Dr. McCann concluded that more economic analysis would not necessarily provide significant additional information. Environmental Defense Fund views Dr. McCann's analysis as illustrative that CARB's inclusion of a multi-sector cap-and-trade program to both maximize benefits and minimize costs to California is a critical component of the AB32 scoping plan.

³ *Id.*, page 51.

⁴ Dr. Reid Ewing and Dr. Arthur C. Nelson, leading experts on smart growth and climate change.

⁵ Though 100,000 new jobs are projected to be created by AB 32 by 2020, this represents approximately a 1% growth of the work force.

⁶ McCann, R., Understanding the Challenges of Modeling AB32 Policy, (December 2008).

Our Climate for Community concept, (enclosed), will facilitate the aggregation of community level reductions – a necessary component to meet the legal requirements of AB32.

As you know, AB 32 requires that investments be directed towards disadvantaged communities and that community institutions be allowed to participate and benefit from the program. To assist in the fulfillment of this requirement, Environmental Defense Fund has developed a community aggregation concept to allow homes and businesses to aggregate their emission reductions and participate in carbon markets. Participation in the carbon market will allow these communities to benefit economically while reducing their emissions, creating a positive feedback loop that will maximize investment.

Demonstrations of this concept, called “Climate for Community” (C4C) are already being performed in California (information attached). Further, similar concepts are being adopted by local air districts⁷ and planning departments to mitigate greenhouse gases from new development and industrial expansion. Such endeavors should be informed by the C4C program because of its valuable recognition of the options for investing in the state. CARB should further the C4C concept in the development of market based programs under AB32.

Moving into the Scoping Plan implementation phase.

After the passage of the scoping plan, the implementation effort will require a significant effort to develop regulations and ensure California meet its greenhouse gas reduction targets. Environmental Defense Fund is committed to working with the Board to achieve AB 32’s requirements to reduce greenhouse gases, complement air quality laws, and provide benefits to local communities.

Sincerely,

Derek Walker
Director, California Climate Initiative
Environmental Defense Fund

⁷ Both the South Coast Air Quality Management District and the Sacramento Air Quality Management District have begun efforts to facilitate GHG emissions reductions.