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July 31, 2008

Via Overnight Mail

Mary D. Nichols, Chair
California Air Resources Board
1001 "T" Street
Sacramento, CA 95814

Re: Comment on Climate Change Draft Scoping Plan Program Design

Dear Chairman Nichols:

These comments on the Climate Change Draft Scoping Plan ("Draft Scoping Plan") are submitted on behalf of the State Building and Construction Trades Council of California ("Building Trades Council"). The Building Trades Council is the umbrella organization for approximately 350,000 union construction workers in California. The Building Trades Council been in California for over 100 years and has a strong interest in ensuring that California maintains a robust economy, establishes sustainable patterns of growth and fosters a bright environmental future for generations to come. The Building Trades Council supports the goals of AB 32 and appreciates ARB's hard work to produce the Draft Scoping Plan.

The Draft Scoping Plan is still at the very general level, with few details at this time. Further details are contained in the Appendices and the Supplemental Analysis, which will be the subject of later comments. Accordingly, in these comments we emphasize five main themes that should guide ARB as it develops the final Scoping Plan and the measures to implement the Plan.

I. Maximizing Economic Benefits for California is the Key to AB 32 Success

The Building Trades Council strongly endorses ARB's proposal to make "maximizing economic benefit for California"¹ one of the key criteria in developing the Scoping Plan for AB 32. For AB 32 implementation to be a success, reducing greenhouse gas emissions must stimulate economic growth in California and be good for the California economy. Of course, specific segments of the economy will have particularized burdens, but ARB must ensure that greenhouse gas reductions bring increased economic activity in California, broadly distribute economic benefits and create good-paying jobs with long-term career growth. If that happens, we will have a model that other states and countries will emulate. If not, there is little hope that the political will for broad changes will be sustainable.

The Draft Plan states that "California's aggressive climate change program will lead to significant investment, job creation and export opportunities within the state. *Specific program design choices may impact the level and type of investment and jobs created.*"² However, this statement appears almost as an afterthought. Instead, it must be a central guiding principle. The most important impact California can have on the world's climate is to make **reducing** GHG emissions synonymous with **increasing** middle class economic welfare. There is no better way to protect California's and the world's climate than for AB 32 to lead to a booming California economy that other states and countries try to replicate.

By saying that "[s]pecific program design choices may impact the level and type of investment and jobs created," the Draft Plan understates the matter. Specific program design choices will impact whether investments are made in California or elsewhere. ARB must make the maximum possible effort to guide investment to California, even if it is more expensive than investments elsewhere. If AB 32 leads to an exodus of new investment because compliance is cheaper elsewhere, ARB will have failed. There is no more sure-fire way to guarantee that other states and countries will be reluctant to reduce GHG emissions than to have our GHG programs leak jobs out of California.

Properly designed, implementing AB 32 can create many good, new jobs while increasing the value of many existing jobs. California is poised to be a

¹ Climate Change Draft Scoping Plan, CARB, p. 49.

² Climate Change Draft Scoping Plan, CARB, p. 55.

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national leader in tackling climate change and thus is poised to reap the most benefit with careful and thoughtful implementation. With anticipated investment requiring many billions of dollars over the next several years, the state should see reductions in costs, new jobs, advanced careers, cleaner air, lowered water needs, and many other tangible benefits that directly result from this investment.

Without a highly skilled workforce and a commitment from the business community that employs California workers, global warming will continue its deadly track. How can we localize the benefits of California's investments to best advantage California residents and businesses?

To best maximize this investment, California must also invest in allowing our students and adults the opportunity to learn what is happening at the state level to fight global climate change and what careers will be the most promising in the years to come. Many union apprenticeship programs are doing that right now, teaching new techniques to complement their existing construction skills. We must also ensure that new vocational curriculum is created to not leave our students behind and allow them to participate in the next best California thing since Silicon Valley and the Space Race.

As an example of the type of regulations that will create good jobs in California, we note the proposal to expand and strengthen energy efficiency programs and green building standards. The Draft Scoping Plan identified expanding energy efficiency programs and building and appliance standards as "key elements" of ARB's preliminary recommendation for reducing California's greenhouse gas emissions to 1990 levels by 2020. These efforts will create good jobs in California. Specifically, trained sheet metal workers, electricians and plumbers will be required to build more efficient green buildings. The unions representing these workers are already doing an increasing amount of this work and actively training their members in these new technologies.

As the Scoping Plan is finalized, for every measure, ARB should ask the question: "Does this increase or decrease jobs in California?"

II. The Building Trades are Ready for Green Jobs

The Building Trades Council appreciates the Draft Scoping Plan's stated intention to work with unions and others to identify key steps for building a

sustainable economy and expanding career technical training.³ While some green jobs will be in new businesses and new occupations, many green economy jobs are actually just variations of traditional occupations in the construction trades, utilities, manufacturing, and transportation. The union Building Trades are well prepared to place workers in these green jobs. For decades, they have had high quality, state certified training programs up and running, and they currently invest approximately \$100 million each year to train apprentices and upgrade the skills of journeymen. These construction workers are already fully qualified and ready for green work.

III. Cap and Trade will Hurt the California Economy

The Draft Scoping Plan lays out ARB's plans to implement a cap and trade program beginning by 2012. This is a mistake.

AB 32 does not require that ARB adopt market-based mechanisms. AB 32 authorizes ARB to do so if, and only if, the market based mechanisms are found to be the superior method for reducing greenhouse gas emissions as measured by the specific criteria provided in AB 32.⁴ The Building Trades Council remains unconvinced that the "magic of the market" will solve California's GHG problems more quickly, cheaply or more efficiently than direct regulation, and ARB has not provided any evidence or analysis showing that market-based mechanisms would be superior or even effective. Without this analysis, it is prudent for ARB to withdraw the cap and trade proposal and evaluate all other options, as required by AB 32.⁵

Before the details of a market-based strategy are considered, ARB must first weigh direct regulatory programs.⁶ By failing to analyze non-market-based mechanisms first, ARB is set to make bad policy and violate the statutory mandates painstakingly negotiated into the language of AB 32. Cap and trade does nothing more than postpone the day when entities will have to focus on implementing actual

³ Climate Change Draft Scoping Plan, CARB, p. 68.

⁴ California Health and Safety Code Sec. 38570(b) requires that CARB: a) consider the potential for direct, indirect, and cumulative emission impacts from market based mechanisms, including localized impacts in communities that are already adversely impacted by air pollution; b) design any market-based compliance mechanism to prevent any increase in the emissions of toxic air contaminants or criteria air pollutants; c) maximize additional environmental and economic benefits for California, as appropriate.

⁵ *Id.*

⁶ California Health and Safety Code Sec. 38562(b).

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measures to reduce emissions. ARB should rigorously evaluate non-market-based regulatory strategies rather than rushing to untested cap and trade proposals.

The proposal is particularly dangerous in the electricity sector. Electricity is not like other commodities. Electricity is an essential service and its extremely complex system of generation and delivery leaves little margin for error. We should have learned from the electric deregulation debacle in 2001 that California cannot leave essential services to the vagaries of the marketplace. Cap and trade for the electric sector is playing with fire.

Even more dangerous, cap and trade won't work. Ever changing market prices simply do not provide the regulatory certainty required to support the major long-term investments needed to transform our energy systems. In fact, cap and trade may enable some generators to withhold their capacity from the market and thereby potentially manipulate the price. We need to focus on creating and implementing actual programs to reduce emissions, rather than expending all of our resources designing and overseeing markets that may or may not eventually lead to GHG emissions reductions. ARB should withdraw the cap and trade proposal and should instead implement AB 32 through direct programs and regulations.

A key part of the cap and trade proposal is to link California's system to other members of the Western Climate Initiative. The Draft Scoping Plan outlines ARB's proposal to link the cap and trade program with the programs in the other Western Climate Initiative to create a western regional market. The Building Trades Council strongly opposes ARB's proposal to link the implementation of AB 32 with other states and nations. Linkage will undermine our efforts to encourage new investment in California. Further, linking California's programs with outside programs means less control over allowance prices, thus further undermining technological innovation and diffusion of those innovations. Linking programs takes the control of our nascent AB 32 regime out of the hands of Californians and provides opportunities for unexpected gaming and market distortions.

Regardless of whether linkage is a good idea for California or not, it is illegal because it does not comply with the statutory language of AB 32. The statute explicitly requires that ARB has to be able to enforce any cap and trade program.⁷

⁷ California Health and Safety Code Sec. 38580(a): "The state board shall monitor compliance with and enforce any rule, regulation, order, emission limitation, emissions reduction measure, or market-based compliance mechanism adopted by the state board pursuant to this division."

The language of AB 32 forecloses the ability of a cap and trade program in California to be linked to programs outside of California because AB 32 requires the state board to monitor compliance with and *enforce* any rule, regulation, order, emission limitation, emission reduction measure, or market-based compliance mechanism adopted by the state. Since ARB does not have the authority or ability to oversee and enforce trading occurring outside of California, such trading could not be legally included as part of the implementation of AB 32.

ARB should withdraw the proposal to link California's greenhouse gas reduction efforts to other states.

IV. Offsets will Undermine AB 32's Economic Benefits

ARB anticipates allowing a limited use of offsets in the Draft Scoping Plan.⁸ The Draft Scoping Plan correctly acknowledges that the use of offsets would reduce the local economic, environmental and public health co-benefits from GHG emissions.⁹ This alone is good reason to abandon any use of offsets.

Offsets have other disadvantage as well. Offsets divert attention from the fundamental changes that must be made to reach the 2050 goals. Offsets also would create dramatic administrative burdens associated with assuring their permanence, additionality, quality, quantity, and ongoing verification and enforcement.

Further, because offsets are not necessarily limited geographically, they can undermine copollutant gains that could be achieved by technological innovation at the point of emission. Reducing copollutants is an explicit goal of AB 32 that should override any flirtation with offsets.

Finally, the entire concept of using offsets to enable flexible compliance is based upon the false assumption that there are measures that are actually surplus. In fact, there are none. In the long-term, *nothing* is surplus. Yet the Draft Plan still proposes to move forward with a limited number of offsets. Offsets should not be included in the final Scoping Plan.

⁸ Climate Change Draft Scoping Plan, CARB, p. 44.

⁹ *Id.*

V. Investing in Education is Key to Implementation

California is leading the nation in aggressively confronting the challenge of battling climate change. This multi-pronged effort must be comprehensive to be most effective and it must highlight education. The Draft Scoping Plan put it succinctly: “It is likely that the most innovative solutions are going to come from people who are now in school.”¹⁰ Empowering and educating these students is clearly in the best interests of all involved. Career Technical Education (CTE) must be expanded within our schools, K-14 to prepare the Next Best Generation to create the mechanisms needed to fight climate change.

In particular, the Draft Scoping Plan only lightly touches on two important mechanisms for cementing long term change. One, “**Reaching Children through Schools**”¹¹ should be retitled “**Reaching Students through School**” and expanded to add CTE components to the curriculum. Omitting this vital missing piece could stunt California’s ability to most fully benefit from tackling climate change. Two, “**Workforce Readiness**”¹² should mandate creating a new steering committee under the Climate Action Team that is focused on bringing together the two worlds of workforce development and environmental regulation to establish a coordinated and collaborative approach to making California an economic winner in the fight against climate change.

Today’s students are highly engaged and knowledgeable about the impacts of global warming and climate change, and rightfully so, since they will certainly be the most impacted. How better to motivate and grow their interest than by showing the financially rewarding and exciting career opportunities coming with the emerging green economy? How can California take advantage of these impacts and opportunities to best benefit our state’s residents and businesses?

While the Draft Scoping Plan highlights the need to infuse the curriculum with education regarding climate change and how we as individuals can make positive changes, the document is silent on the urgent need to bring climate change-based CTE into our schools as well. To be successful in fighting this multi-generational challenge, California needs to harness its greatest renewable resource, our students. By giving them the tools and the challenge of solving this dilemma,

¹⁰ Climate Change Draft Scoping Plan, CARB, p. 75.

¹¹ Climate Change Draft Scoping Plan, CARB, p. 67.

¹² Climate Change Draft Scoping Plan, CARB, p. 68.

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our students could become the next great engineers, environmental scientists, clean and green construction workers and architects, manufacturers, solar and wind mechanics, and countless other vocations we might scarcely imagine. But for this to happen, we must provide the curriculum, ability, and CTE facilities and equipment, and the pathways to higher education and apprenticeship for students to be successful.

The best workforce preparation starts in our public school system, grades 7-14. While there will be a need for some retraining of displaced workers and some upgrading of skills for current works such as being done with many professions within the building trades unions, the best workforce readiness is with our students.

The California Department of Education led the development of a groundbreaking and nation-leading curriculum based around 15 industry sectors. The State Board of Education adopted the Model Standards and Frameworks on May 11, 2005. These standards and frameworks should be the building blocks to integrate Climate Change CTE with existing CTE programs. A working group of industry stakeholders including business, labor, education, EPA, Secretary of Education, CDE, and other relevant state agencies should be tasked with creating CTE courses that will help produce California's Next Greatest Generation.

With the state's school drop-out rate reaching 120,000 students each year, we ask, "How many of these students would be excited about a career fighting Climate Change and stay enrolled in school if they could take relevant classes?" Like a generation before us that looked to the stars and dreamed of being NASA engineers and astronauts when our country endeavored to go the moon, this next generation hears calls to action on global warming and awaits learning how they can be part of the solution.

VI. Conclusion

As we carve out the path for implementing AB 32, we have an incredible chance to do more than just reduce GHG emissions. This is a golden opportunity to reduce pollution, revitalize the economy, and create jobs that can support the hard working families of California. However, we must be careful to steer clear of complicated and counterproductive schemes to reduce greenhouse gases. If we do not implement AB 32 so that it produces substantial, visible economic benefits for

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middle class workers, we will not ultimately succeed in creating a model that produces world-wide reductions in greenhouse gas emissions.

We appreciate the opportunity to comment on the Draft Scoping Plan and look forward to continuing to work with ARB.

Sincerely,

/s/

Loulena A. Miles

LAM:bh