MEETING

STATE OF CALIFORNIA

AIR RESOURCES BOARD

JOE SERNA, JR. BUILDING

CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY

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Mr. Tim Haines, State Water Contractors

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Mr. Rodrigo Romo

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Ms. Nita Sisamouth, Asian Pacific Environmental Network

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Ms. Olivia Trujillo

Ms. Veronica Trujillo, CFASE

Mr. Michael Turnipseed, Kern County Taxpayers Association

Mr. Refugio Valencia

Mr. Rodolfo Vallejo

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INDEX


| | PAGE |
|---|---|
| Item 11-6-1 | |
| Chairperson Nichols | 5 |
| Executive Officer Goldstene | 6 |
| Staff Presentation | 7 |
| Mr. Lesuik | 46 |
| Ms. Pearson | 50 |
| Mr. De Tilly | 53 |
| Ms. Doyle | 54 |
| Ms. Bloch | 57 |
| Mr. Gallegos | 59 |
| Mr. Newell | 62 |
| Ms. Fernandez | 66 |
| Ms. Parino | 67 |
| Mr. Karris | 69 |
| Ms. Farrell | 71 |
| Mr. Romo | 73 |
| Ms. Madrigal | 74 |
| Mr. Tamayo | 75 |
| Ms. Trujillo | 76 |
| Mr. Valencia | 77 |
| Ms. Hernandez | 78 |
| Ms. Ramirez | 78 |
| Mr. Mata | 80 |
| Mr. Cabrales | 82 |
| Mr. Vallejo | 84 |
| Ms. Verduzco | 85 |
| Ms. Cabrera | 85 |
| Ms. Rivera | 87 |
| Ms. Bowman | 90 |
| Ms. Reyes | 92 |
| Mr. Duarte | 93 |
| Ms. Duarte | 94 |
| Ms. Parhees | 94 |
| Ms. Tippet | 95 |
| Mr. Gonzalez | 96 |
| Ms. Deresa | 97 |
| Ms. Bodi | 98 |
| Mr. Solis | 98 |
| Ms. Orozco | 99 |
| Ms. Jones | 100 |
| Ms. Jordan | 101 |
| Ms. Harrison | 104 |
| Ms. Cervantes | 106 |

INDEX (continued)


| | PAGE |
|---|---|
| Rev. Davis | 107 |
| Ms. Tovar | 109 |
| Mr. Frantz | 113 |
| Mr. Stockton | 116 |
| Ms. Medema | 118 |
| Ms. Reifsnider | 119 |
| Mr. Cutter | 121 |
| Ms. Horowitz | 123 |
| Mr. Koyama | 126 |
| Mr. Prasad | 127 |
| Ms. Holmes-Gen | 128 |
| Mr. Trunipseed | 131 |
| Mayor McLaughllin | 134 |
| Mr. Casey | 136 |
| Ms. Merrill | 137 |
| Mr. Pedersen | 140 |
| Mr. Mason | 142 |
| Ms. Ansar | 143 |
| Mr. Kalb | 145 |
| Mr. Lucas | 148 |
| Ms. Feast | 150 |
| Mr. O'Connor | 152 |
| Mr. Marquez | 154 |
| Ms. Carrillo | 157 |
| Mr. Pulido | 157 |
| Mr. Pinon | 161 |
| Mr. Marquez | 162 |
| Mr. Webber | 165 |
| Ms. Huang | 168 |
| Ms. Schwind | 169 |
| Ms. Keever | 171 |
| Ms. Passero | 173 |
| Ms. Trujillo | 174 |
| Ms. Sisamouth | 175 |
| Mr. Jackson | 176 |
| Mr. Main | 179 |
| Ms. Alvarez | 181 |
| Mr. Ger | 182 |
| Ms. Bailey | 184 |
| Ms. Souder | 187 |
| Board Discussion | 193 |
| Motion | 238 |
| Vote | 238 |

INDEX (continued)


| | PAGE |
|---|---|
| Public Comment | |
| Mr. Haines | 189 |
| Adjournment | 241 |
| Reporter's Certificate | 242 |

PROCEEDINGS

CHAIRPERSON NICHOLS: Good morning, ladies and gentlemen. Welcome, everyone.

The August 24th, 2011, public meeting of Air Resources Board will come to order.

And before we take the roll and begin with the proceedings, it's our custom to say the Pledge of Allegiance to the flag. And if the interpreter wants to lead it in Spanish, that would be fine. Thank you.

(Thereupon the Pledge of Allegiance was recited in unison.)

CHAIRPERSON NICHOLS: Will you please call the roll?

BOARD CLERK MORENCY: Dr. Balmes?

BOARD MEMBER BALMES: Here.

BOARD CLERK MORENCY: Ms. Berg?

BOARD MEMBER BERG: Here.

BOARD CLERK MORENCY: Ms. D'Adamo?

BOARD MEMBER D'ADAMO: Here.

BOARD CLERK MORENCY: Ms. Kennard?

BOARD MEMBER KENNARD: Here.

BOARD CLERK MORENCY: Mayor Loveridge?

BOARD MEMBER LOVERIDGE: Here.

BOARD CLERK MORENCY: Mrs. Riordan?

Supervisor Roberts?

BOARD MEMBER ROBERTS: Here.

BOARD CLERK MORENCY: Professor Sperling?

BOARD MEMBER SPERLING: Here.

BOARD CLERK MORENCY: Supervisor Yeager?

BOARD MEMBER YEAGER: Here.

BOARD CLERK MORENCY: Chairman Nichols?

CHAIRPERSON NICHOLS: Here.

BOARD CLERK MORENCY: Madam Chairman, we have a quorum.

CHAIRPERSON NICHOLS: Thank you very much.

Our beloved Vice Chairman Barbara Riordan is missing due to a personal family emergency. And we know she's going to be watching the proceedings on video camera. We send her our very best.

Before we begin, I want to make a few announcements. We have interpretation services available in Spanish for those who need it. Head sets are available outside the hearing room at the attendance sign-up table.

(Whereupon the announcement was interpreted into Spanish by the interpreter.)

CHAIRPERSON NICHOLS: Anyone who wishes to testify who has not yet signed up, please fill out a request to speak card. They are available at the table outside the auditorium. We appreciate it if you put your name on a card, though it's not required.

If you've already taken advantage of the on-line sign up feature, you don't have to fill out another card. But you do need to check in with the Clerk here or your name will be removed from the speaker list.

We also want to make sure that people know that we will be imposing a time limit, and we will give three minutes to each speaker. We may have to shorter it to two because of the number of people who sign up. But if a person is speaking through the interpreter, we will give them the extra time, double the amount of time for the interpreter.

(Whereupon the announcement was interpreted into Spanish by the interpreter.)

CHAIRPERSON NICHOLS: Thank you.

For safety reasons, I would ask you to note that the exits are at the rear of the room. There are two here at the back. If we should have a fire drill, the alarm goes off, everyone has to leave this room and leave the building, go downstairs and across the street over to Cesar Chaves Park where we wait until we get the all-clear signal to come back into the room.

We have only one item in front of the Board today -- I do want to say one other thing. Because I believe there may be people who are planning to come later and speak who are probably listening now. I want to ask

everyone who intends to speak, even if you're at the end of the list and probably won't get heard until late, I want to ask you to sign up before noon, because otherwise we'll just have an endlessly rolling list. And we will not be able to accommodate everybody. Or those at the end will have next to no time to speak and everyone will have taken up all the time at the beginning. So we need to cut off the sign-up list at noon today for people who are planning to address the Board. If you decide not to speak, you can always decide not to, but we need you to put your name down on the list.

The plan for today is because this is a big item with a lot of people who want to talk, we will not take a lunch break at noon. The court reporter has agreed that she will accommodate us. And we will attempt to be thoughtful about taking a break every couple of hours for ten minutes or so.

The Board members have a staff room in the back of this area, which has both sound and the ability to watch on computer. And if you see people standing up and leaving to go back, they are still listening even if they are not sitting right here in front of you. I may stand up a few times and walk around because I'm sorry to say I did something to my back. And sitting here in one place for the entire day is probably more than I can do. But I

will be here for the whole duration of the meeting.

I think that's it as far as the public speaking piece of this. There is no lunch break for us today. But obviously if you know where you are on the program, you can adjust your time accordingly.

We do know that there are people who came here on bus who need to leave. And our plan is to call those people that we're aware of who came as a group at the very beginning when we begin the public comment period.

But the first thing that we're going to do, of course, is to hear from our staff.

So we just have one item on the agenda today, but it's a substantial item. Staff is going to be presenting an update on our activities under AB 32, and they will then be presenting to us an updated environmental analysis of the alternatives that have been identified to the proposed Scoping Plan. At the end of the day, the Board expects to make a decision on whether to approve the Scoping Plan as proposed or instead to direct staff to pursue a different alternative.

So today's meeting is an opportunity for the Board members to listen and for all of us to take a fresh start at the 2008 Scoping Plan, a fresh look the 2008 Scoping Plan and agree on a path forward. And that is our goal for today is to come out of this with a decision on

what the path forward will be.

So Mr. Goldstene, with that introduction, would you please introduce the staff presentation?

EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman Nichols. Good morning, Board members.

We are here today to give an update on the progress in implementing AB 32 and to seek direction on how to complete our AB 32 strategy.

Here's our plan for this morning. We all start with an update on our AB 32 implementation efforts, a reminder of all the work the Board and staff have accomplished since AB 32 was passed in 2008, including some of the key measures we're currently implementing. We'll then preview some of the upcoming climate change regulations and strategies the Board will hear later this year.

This status report will provide context for an update to the environmental analysis of five alternatives to the proposed Scoping Plan. You all received copies of this updated analysis when it was released mid June, as well as responses to the comments which we released on August 19th. After we summarize the updated analysis and the information you received on the status report, the Board will decide how ARB should proceed to meet our AB 32 objectives.

I'll now ask Eddie Chang from our Stationary Source Division to begin the staff presentation.

(Thereupon an overhead presentation was presented as follows.)

ASSISTANT CHIEF CHANG: Thank you, Mr. Goldstene. Good morning, Chairman Nichols and members of the Board.

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ASSISTANT CHIEF CHANG: Today, I'm here to give you an update on the implementation of AB 32 and present for your consideration the updated environmental analysis of alternatives to the proposed Scoping Plan.

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ASSISTANT CHIEF CHANG: I will start with the status report on our implementation of AB 32.

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ASSISTANT CHIEF CHANG: AB 32 represents a pioneering effort to address climate change. California's long standing pollution control programs have demonstrated that strong environmental regulation and economic growth can go hand in hand.

For example, clean car technologies that act to reduce greenhouse gas emission intensity and increase fuel economy are a source of economic growth, job creation. California families benefit from state greenhouse gas emission standards and federal fuel economy policies,

whether they buy new cars or not.

In addition to addressing climate change, implementation of AB 32 will have positive impacts on improving air quality and public health. These occur because the climate change program is about improving the efficiency with which we use energy and reducing our reliance on greenhouse gas intensive processes and fuels, such as coal and oil. This shift will also provide us with greater energy security and reduce our dependence on expensive imported oil.

Furthermore, the clear policy signal that California's commitment to clean energy provides has sent a message to markets, driving investment in clean technology, and increasing energy efficiency. ARB is implementing AB 32, fully aware that a successful program will be a model for future national and international climate change efforts.

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ASSISTANT CHIEF CHANG: We are implementing AB 32 in collaboration with our State agency partners at the California Environmental Protection Agency, as well as agencies as diverse as CalRecycle, Cal Fire, the Department of Water Resources, the Department of Food and Agriculture, the Energy Commission, and the Public Utilities Commission.

We also solicited advise from a number of formal and informal committees. The Market Advisory Committee provided important recommendations on how market-based measures could play a role in AB 32 implementation. AB 32 itself established two advisory committees, the Economic and Technology Advancement Advisory Committee, and the Environmental Justice Advisory Committee. Both of these committees met numerous times and provided advise on how ARB should pursue the 2020 emission goal. The Economic and Allocation Advisory Committee provided important advise regarding our economic modeling, as well as the use of program revenue.

California is also participating in the Western Climate Initiative. We are meeting with three of our Canadian partner jurisdictions in Sacramento this week. Some of our partners will provide comments to you later today.

We are also coordinating with many other states on energy and climate change program development through the Three Regions Collaborative. And we are learning from and exchanging information with other countries and jurisdictions who are implementing climate change program in order to design the best program for California.

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ASSISTANT CHIEF CHANG: Since AB 32 was adopted

in 2006, it would be an understatement to say that ARB has been busy. In December 2007, the Board considered a mandatory reporting regulation to require that the largest industrial sources of greenhouse gases report their emissions. The Board considered revisions to the mandatory reporting regulation at the December 2010 Board hearing, and the staff is now in the process of finalizing this regulation. In December 2007, the Board also considered our 2020 emission target, set at the level of California's 1990 emissions.

As required by AB 32, the Board considered early action measures before January 2010 -- nine measures that cover sources ranging from transportation fuels to ships to automobile air conditioners. All nine of these regulations are now in effect and are being implemented.

In 2008, ARB developed a climate change Scoping Plan, which builds on the early action measures, recommending a comprehensive strategy to meet the 2020 emission goal. The Board has adopted 13 of the recommended measures in the plan.

In September 2009, the Board also considered a regulation to fund State agency implementation of AB 32 and to pay back loans that ARB and Cal/EPA incurred in the first years of the program. These funds are distributed to seven state agencies to implement AB 32 programs. We

are in the process of preparing invoices for fiscal year 2011-2012, which will be mailed shortly.

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ASSISTANT CHIEF CHANG: Let me now turn to some of the key measures ARB has adopted and is currently implementing.

The low carbon fuel standard is an early action measure that requires a ten percent reduction in the carbon intensity of transportation fuels by 2020. 2010 was a reporting year, with 2011 being a first year that a reduction in carbon intensity is required to occur. Though it is early in the program and the required reductions in this period are gradual, several lower carbon intensity fuels are already being used to comply with the regulation.

Staff has also been working with the Low Carbon Fuel Standard Advisory Panel, which consists of over 40 representatives from industry, the environmental community, and others in an overall review of the implementation of the program as called for under the regulation. Currently, staff plans to return to the Board in December with the results of the program review, as well as recommended amendments to the regulation.

SB 375 called on the ARB to set regional targets to reduce the greenhouse gases associated with passenger

cars. The Board considered regional targets for 18 metropolitan planning organizations in September 2010. The impact of SB 375 is already being felt as regions incorporate the targets into their transportation plans. The focus and energy around sustainable planning has increased, and new tools are being developed. In September, the Board will hear an update on statewide SB 375 activities, including the first sustainable community strategy developed for the San Diego region.

One of the most important measures in our AB 32 strategy was the extension of California's previously existing 20 percent renewables requirement by 2010 to a 33 percent requirement by 2020. As you know, ARB considered a regulation to require that 33 percent of electricity delivered to retail customers in 2020 would be generated from renewable sources.

The Legislature subsequently passed a bill which contains substantially the same requirements. ARB chose not to finalize our regulation and is now working with the Public Utilities Commission and the Energy Commission on a process to assess the greenhouse gas emission reductions associated with the energy agency's implementation of the program.

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ASSISTANT CHIEF CHANG: ARB has also adopted a

number of other measures to implement AB 32. I've listed those measures here. Some of them, like improving efficiency from heavy-duty trucks, are early action measures. Others, like the refrigerant management program, were recommended in the Scoping Plan, and after staff research and development were proposed for Board approval.

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ASSISTANT CHIEF CHANG: As I mentioned earlier, we are not alone in our pursuit of reducing greenhouse gas emissions. Many measures are being developed and implemented by our State agency partners. Most notable among these are the many energy efficiency measures such as the building and appliance standards developed by the California Energy Commission, and the Utility Energy Efficiency Programs overseen by the Public Utilities Commission. This includes the California Solar Initiative that contains incentive programs for solar water heating and roof top solar systems.

Also, the Public Utilities Commission has recently finalized a settlement designed to maintain existing combined heat and power facilities and to incentivize new combined heat and power development. We also envisioned emissions reductions from the deployment of high speed rail, which would displace emissions

associated with travel.

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ASSISTANT CHIEF CHANG: As you know, AB 32 requires ARB to develop and adopt a Scoping Plan that describes the approach California will take to meet the 2020 emission goal. The Scoping Plan uses a comprehensive policy framework to recommend greenhouse gas reduction measures. These recommended measures are based on our best knowledge at the time the plan is developed. ARB can pursue these measures or not, depending upon whether further research and consultation with stakeholders shows the measures to be feasible, cost effective, and capable of meeting AB 32 objectives and requirements. However, ARB is not limited by the Scoping Plan. AB 32 gives ARB authority to pursue new emission reduction opportunities, even if they are not in the Scoping Plan.

Since the Scoping Plan was first proposed in 2008, California and the country have experienced an economic downturn. To reflect the downturn, ARB has updated the greenhouse gas emission inventory. Based on this new inventory, current estimates indicate that we would need fewer emission reductions to meet the 2020 goal.

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ASSISTANT CHIEF CHANG: I have described the

action we have taken to date. Now let me turn to some of the measures the Board will consider in the upcoming months.

The first upcoming measure I will discuss is the proposed Advanced Clean Car Program.

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ASSISTANT CHIEF CHANG: ARB has a long history of regulating passenger cars. With the passage of AB 1493 in 2002, we extended our regulatory framework to include not just smog-forming pollution, but also climate changing gases. As the first in the nation, the Pavley regulations authorized by AB 1493 became the benchmark for the vehicle climate change standards. The federal government followed California's lead, adopting standards that essentially made California's greenhouse gas standards the law of the land.

We are now taking the next step, integrating our smog and climate standards into a comprehensive advanced clean car program to meet our long-term air quality and climate targets. Advanced clean car is a compilation of several regulatory amendments: The Low Emission Vehicles Program, the Zero Emission Vehicle Program, the clean fuel outlet regulation, and the environmental performance label.

The low emission vehicle program has a greenhouse

gas component and a criteria pollutant component. Our goals are ambitious: To deploy the leanest possible vehicles to help California attain the health based ambient air quality standards, to reduce greenhouse gas emissions from new cars, and to shift from petroleum-powered vehicles to a zero emission fleet, all of which will be supported by deployment of clean fuel infrastructure via both incentive programs and regulatory requirements. This regulation is currently planned for the Board consideration at the December Board hearing.

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ASSISTANT CHIEF CHANG: As you are no doubt aware, earlier this month, President Obama announced new greenhouse gas emission standards for passenger vehicles for the 2017 to 2025 model years. The Air Resources Board was a party to the development of the standards and a participant in the negotiations with auto makers, along with U.S. EPA, and the National Highway Transportation Safety Administration. In fact, in announcing the standards, President Obama made a special point to acknowledge California's contribution to the successful negotiations.

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ASSISTANT CHIEF CHANG: These new standards cover cars and light trucks and require a fleet average of 54.5

miles per gallon in 2025, while reducing greenhouse gas emissions by 38 percent from 2016 levels. Over the life of the program, the measure is expected to save consumers an estimated $1.7 trillion and reduce our use of oil by 12 billion barrels. Initially, it is expected that available advanced technologies and additional hybrid vehicles will be used by auto makers to meet these standards.

After that, we will see more full battery electric, plug-in hybrid, and fuel cell powered vehicles. ARB is now in the process of translating the standards into regulatory language. The regulation will set clear targets through 2025, laying a foundation for this next generation of clean vehicles. The standards will continue to be performance-based, allowing auto makers the flexibility to produce vehicles that will fulfill consumers' desire for a range of vehicle choices.

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ASSISTANT CHIEF CHANG: The Cap and Trade Program is another measure that was included in the proposed Scoping Plan and is currently under development. The proposed cap and trade regulation occupies a unique place in the proposed Scoping Plan because it sets an enforceable emission cap on the greenhouse gases that covers 85 percent of the California's emissions. However, the measure itself does not account for the majority of

the anticipated emission reductions in the proposed plan. The vast majority of the reductions occur either through other measures adopted by ARB or implemented by other State agencies.

The proposed regulation would limit aggregate emissions, but would allow covered entities the flexibility to find the best and most cost effective reduction strategies. The enforceable cap is designed to ensure we meet the AB 32 goal, providing a powerful backstop so that even if direct or other measures do not achieve their estimated reductions, we will meet our objective.

The regulation sends a price signal throughout the economy, reinforcing the deployment of lower carbon, more efficient processes and products called for in the direct measures. The durable framework provided by the cap ensures we would not only meet the 2020 goal, but that a regulatory structure would be in place for the long term.

The Board considered the proposed cap and trade regulation at the December 2010 Board hearing. At that hearing, the Board also asked for a midyear update on our progress in developing and implementing the cap and trade regulation in such areas as allowance allocation, offsets, biomass, linkage, and market operations and oversight.

The next several slides are intended to update the Board on these topics.

As you know, you will decide later today whether to proceed with the proposed scoping plan. The proposed scoping plan includes a cap and trade element which staff have been working on in order to preserve that option. The Administrative Procedures Act provides one year for agencies to complete their rulemaking once the formal process begins. ARB has until October 28th of this year to complete the rulemaking package and submit it to the Office of Administrative Law.

Should you decide to proceed with the proposed Scoping Plan today, staff will complete the rulemaking package and return to the Board in October for a final Board decision regarding whether to submit the proposed regulation to the Office of Administrative Law for approval.

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ASSISTANT CHIEF CHANG: As you may recall, the cap and trade regulation is designed to gradually transition from mostly free allowance distribution to a system in which most allowances are auctioned. This transition provides regulated sources time to get used to the market and the need to procure allowances. This approach gradually introduces a carbon prize on goods that

consumers purchase, while simultaneously ensuring that emission reductions occur.

Last December, the Board asked us to report back on the finalization of the allowance allocation system. As described in the proposed regulation, allocations to industry are based on efficiency benchmarks that are tied to specific products. For example, one ton of cement or one barrel of crude oil.

For each product, ARB staff developed a benchmark based on average California efficiency. Each sector will receive allowances equal to approximately 90 percent of the sector's emissions. Within each sector, more efficient facilities will fair better, with some receiving more allowances than they will likely need to cover their emissions. Less efficient facilities will be required to take actions to either reduce emissions or to purchase additional compliance instruments.

For the electricity sector, we are proposing to allocate allowances to the sector starting at 90 percent of recent emissions. The allocation declines by 15 percent through 2020 in line with the rate of decline of the overall program emissions.

Within the sector, the allocation among the electricity distribution utilities is based on the cost of carbon in the electricity that each utility procures on

behalf of its rate payers.

To determine the appropriate amount of allowance for each utility, staff performed an analysis based on resource plans filed with the Energy Commission for the 2009 integrated energy policy report. The allocation also builds in the expectation that each utility will achieve its 33 percent renewable portfolio standard goal and continue aggressive investment in energy efficiency.

This approach achieves several objectives. It recognizes the early actions taken by many utilities to reduce their emissions. It acknowledges the different emission intensity profiles of California utilities. And it provides strong incentives for all utilities to continue to reduce their emissions intensity over time.

Investor-owned utilities must auction their allowances, and we are working closely with the Public Utilities Commission to ensure that the ensuing revenue benefits rate payers in a way that achieves the emission reducing goals of the Cap and Trade Program.

Publicly-owned utilities are not required to auction allowances, but like the investor-owned utilities must use their allocations for the benefit of rate payers.

Free allocations will decline over time based on two main factors. One is the cap decline factor, which is what ensures that we will reduce emissions to meet the

2020 goal. The cap declines at two percent each year for the first compliance period and then at three percent a year from 2015 through 2020.

The other fact is based on the risk of emissions leakage. Staff has conducted an extensive analysis of leakage risk with a peer-reviewed methodology used in existing cap and trade programs. This methodology combines two considerations: Trade exposure and the degree to which greenhouse gas emissions influences the cost of the end product.

Sectors which have high leakage risk will continue to receive a high percentage of allowances for free through 2020. Sectors with medium or low leakage risk will see reductions in their free allocation beginning with their second compliance period in 2015. ARB has committed to re-visit the leakage analysis before 2015 and to adjust leakage risk as necessary to reflect the results of the re-visited analysis.

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ASSISTANT CHIEF CHANG: Offsets are emission reductions from uncapped sectors. If they are generated in accordance with an ARB approved protocol and meet strict monitoring and verification requirements, they may be used to meet up to eight percent of an entity's compliance obligation each compliance period.

In December, the Board asked for a report on offset supply, development of additional offset protocols, whether any entities had indicated an interest in applying to become third party registries, and implementation of an offset tracking system.

ARB staff estimate that if every entity used their allowable eight percent offsets, approximately 26 million metric tons of offsets would be needed in the first compliance period. This is a smaller number than we had previously estimated due to the overall reductions in economy-wide emissions, and because staff is proposing to begin the compliance obligation in 2013 instead of in 2012, so entities will not be able to use offsets in 2012.

At this time, based on the four offset protocols the Board has endorsed, manure digesters, forestry tree, urban forestry, and deconstruction of ozone depleting substances, ARB will be close to the supply demand for the first compliance period.

After extensive review of existing offset protocols, ARB staff plans to investigate three protocols for possible consideration by the Board in 2012. These include pneumatic valves and two potential agricultural protocols.

Pneumatic valves are used on oil and gas pipe lines to regulate process variables such as pressure, flow

rate, and liquid levels. Replacement of high bleed valves with medium or low bleed valves reduces methane emissions that are released as part of normal pipeline operation.

The American Carbon Registry has developed a protocol with calculation methodologies to determine the reduced emissions. In addition, U.S. EPA has a voluntary program called Gas Star designed to encourage deployment of this type of technology to limit methane emissions.

But to date, the Gas Star program has not been widely used. If ARB approved the offsets from these types of projects, it could encourage the widespread use of this technology in California and the rest of the country. We would expect that this could achieve 15 to 20 million metric tons of reductions. These sources will be capped in 2015, so these credits could only be generated through 2014.

In addition, staff proposed to investigate two agricultural related protocols. A nitrogen protocol could provide offsets for the avoided use of nitrogen based fertilizers; while a rice straw protocol could generate offsets by removing rice straw from flooded rice fields to reduce the methane emissions.

The American Carbon Registry has published a nitrogen management protocol, while the rice straw protocol is currently under review at multiple voluntary

registries. The rice straw protocol has yet to be formally adopted for use in a voluntary program.

Both of these protocols rely on emission models, which require field work to better characterize emissions in California. ARB is currently funding field work to validate the model for specific crops and conditions in California, and this information will be used in the protocol development work.

Due to the ongoing efforts to quantify emission reduction potential, ARB staff do not have available estimates at this time.

We will continue to work with stakeholders and our WCI partners to evaluate the feasibility of other possible offset protocols.

Under the proposed regulation, third-party registries play an important role in the offset program. ARB will leverage the resources of existing third party registries to help administer the compliance offset program.

To date, two registries have contacted ARB staff regarding their interest in becoming third party registries. The American Carbon Registry and the Climate Action Reserve both administer voluntary registries and have mechanisms and staff in place to provide registry services for the compliance program. ARB will continue to

work with these registries, as well as others who express interest, as we develop the offset program.

To help provide additional information to registries, protocol developers, project developers, third party verifiers, and the public, staff will also work with stakeholders to develop implementation documents that detail the protocol development process and how the offset program will operate.

Finally, we have contracted for development of a market tracking system that would include an offset tracking system. We expect the system to be operational in 2012.

In December, the Board also asked for an update on the treatment of biomass and biofuel emissions in the cap and trade program. Under the proposed regulation, specific types of verified biomass are exempt from a compliance obligation.

Staff has bolstered the reporting requirements under the proposed mandatory reporting regulation to require the reporting of additional information about the source of woody biomass. This is intended to ensure that only woody biomass harvested in accordance with an approved forestry plan qualifies for an exemption from the compliance obligation.

Staff's initial analysis indicates that the cap

and trade regulation would be unlikely to have a negative impact on forest biomass. This is because woody biomass is currently considered an economically unviable energy source because of the need to transport material a great distance from the source to a biomass facility, the lack of infrastructure to efficiently collect and transport the materials, and the relatively less expensive cost for fossil fuels.

The use of woody biomass will also be restricted by the existing protections limiting harvest activities in forests. However, should the Board choose to pursue the proposed Scoping Plan, ARB could pursue an adaptive management approach to monitor for potential adverse environmental impacts.

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ASSISTANT CHIEF CHANG: In December, the Board asked for an update on the implementation of cap and trade programs by other WCI partner jurisdictions and the expected timing of Board consideration of linking with WCI partner programs. Our Canadian partners in the Western Climate Initiative, British Columbia, Ontario, and Quebec are developing compatible programs to enable linking.

We have been working closely with our partners to coordinate our rule makings and to take advantage of potential administrative efficiencies in the operation of

our cap and trade programs. Should the Board opt for a cap and trade approach, we will explore potential linkage agreements with possible consideration by the Board in 2012.

We are working with our local air district partners to investigate potential district information sources to help us develop and implement a strong adaptive management program to identify any localized air quality impacts as a result of the cap and trade regulation.

In December, the Board also asked for an update on our efforts to address potential issues associated with air district development of offset projects. Under the proposed regulations, air districts may become offset project developers.

As directed by the Board, we have also proposed modifications to the regulations to clarify the district's roles and the conflict of interest provisions regarding district activities. Both the cap and trade regulation and mandatory reporting regulation specify that district actions as part of their normal regulatory functions do not constitute a conflict of interest and that districts will have mechanisms in place to ensure an objective review of any emissions or offset project data reports.

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ASSISTANT CHIEF CHANG: In December, the Board

asked for an update on the implementation of a market tracking system. As part of the staff's efforts to ensure a successful implementation of the program should the Board direct us to move forward, we began working on development of a comprehensive tracking system for the cap and trade program. Allowances will only exist within ARB's market tracking system, and the ARB will need to approve all transfers of allowances, minimizing the potential for fraud or theft.

ARB is also developing a new emission reporting system that will reflect the proposed update to the mandatory reporting regulation aligning California's requirements with federal requirements.

ARB staff is developing contracts to provide additional cap and trade services, auction and reserve sale operation, a contractor to verify the capability of auction and sale participants to meet their financial obligations, and an independent market monitor. We have worked closely with our WCI partners on developing these requests for proposals and expect to issue them, either as ARB or WCI requests for proposals in the very near future. In addition, we are also working on a contract that would provide training for agency staff on how to monitor a carbon market.

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ASSISTANT CHIEF CHANG: As the Board recognized in December when it asked for this update, market oversight and the ongoing proper operation of the market are critical. We are addressing this challenge in three ways: Deter, detect, and remedy.

First, the program and its operating procedures are designed to provide a level playing field, deterring and preventing activities that would compromise the market for allowances and offsets.

Second, while we expect that nearly all participants will follow the rules, we must make sure that we can detect those who choose not to play by the rules. ARB is proactively planning to institute market monitoring via an expert independent contractor. This contractor will review and analyze auction and reserve sales and analyze daily market activity.

We also intend to work with the University of California to establish a Market Surveillance Committee to conduct timely review of auction and reserve sales and notify ARB if any anomalous behavior is observed in the market operations.

Third, the regulation incorporates strict penalties for those who violate the law. ARB will pursue enforcement and strict punishment for those who do not comply with the regulation.

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ASSISTANT CHIEF CHANG: As I mentioned on the previous slide, the cap and trade program is designed to prevent prohibited activities. Key aspects of the design include establishing the manner how auctions will be conducted, allowance holing limits, and requiring rigorous emissions and offset project verification. For example, the format of the auction, a single round, sealed bid, uniform price design with required financial assurance helps prevent manipulation of the auction.

The price floor on the low end and the allowance price containment reserve on the high end limit the potential gains from attempting to manipulate the allowance price beyond a fairly narrow window. Market participants will be subject to purchase and holding limits to prevent the accumulation of market power by any one participant. And the executive officer will certify that the auction and reserve sales were conducted in conformance with the regulation before payments are processed.

ARB is also proposing to contract with the University of California to conduct market simulations in spring 2012. These simulations would test the robustness of the market design and identify any needed improvements. In consultation with the Market Surveillance Committee,

this modeling will stress test the market design under several scenarios, after which the results will be shared with stakeholders.

We have been working with a number of state and federal agencies to ensure that there would be rigorous monitoring and enforcement of the regulation. Although ARB can directly regulate the primary market for allowances and offsets, regulation of the secondary market, for derivatives, futures, and other financial instruments, is the purview of the Commodities Futures Trading Commission, or CFTC. The CFTC has seen its powers expanded as a result of the federal Dodd-Frank legislation last year. We are working with the CFTC staff to establish a formal relationship as we launch our market.

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ASSISTANT CHIEF CHANG: In December, the Board also asked for updates on the schedule for deployment of the market tracking system and training for covered entities. This slide summarizes potential implementation time line should the Board choose to proceed with the proposed Scoping Plan.

As originally proposed to the Board in December 2010, covered entities would be held responsible for their greenhouse gas emissions beginning in 2012. In light of the potential importance of the cap and trade regulation

and the need for all necessary systems to be in place and fully functional, we are proposing to initiate the program in January 2012, but start the requirements for compliance in 2013. This means there will be no 2012 allowances and no emissions cap in 2012. This change would not affect the stringency of the program or alter the amount of emission reductions that the program will achieve, keeping us on track to meet the 2020 target.

Under this schedule, ARB would begin the program in 2012, with registration of market participants. In spring 2012, we would begin to test the computer systems needed to operate the market and to train market participants. We would plan to hold the first auction of allowances in August 2012 and the first allocation of allowances in fall 2012. Regulated entities would begin to be responsible for their greenhouse gas emissions on January 1st, 2013.

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ASSISTANT CHIEF CHANG: As you can see, the staff have been working on a number of fronts to ensure that should the Board should to pursue a cap and trade approach to achieve the 2020, we will be ready to proceed beginning in 2012.

Next slide.

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ASSISTANT CHIEF CHANG: ARB staff will continue to evaluate the potential for additional AB 32 measures. This slide highlights four measures that the staff are currently working on.

In coordination with CalRecycle, we are developing a proposed mandatory commercial recycling regulation. The measure has the potential to provide several benefits, including diverting wastes from landfills, promoting reuse and recycling, and reducing GHGs by about five million metric tons. The proposal is schedule to be considered by the Board in October.

At the October Board meeting, we will also propose minor amendments to the AB 32 fee regulation to align the definitions with those in the mandatory reporting regulation.

We are also preparing to initiative a public process to ensure that large industrial sources subject to the industrial efficiency audit regulation be required to take cost effective actions identified under those audits. The audit results are due to ARB by the end of 2012 and will inform the development of the regulatory requirements staff intends to propose to the Board in 2012.

The audit results are due the ARB by the end of 2011.

ARB staff has also begun work to identify the

logistics, infrastructure, and technology improvement needed for California's freight transport system. The long-term objective is a more efficient system that relies on advanced technologies with zero or near zero emissions for all pollutants.

We are partnering with the South Coast Air Quality Management District through a working group convened by the Southern California Association of Governments to start with the high traffic, high population corridors between the ports, rail yards, and distribution centers in that region.

This concludes my status report on AB 32 implementation.

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ASSISTANT CHIEF CHANG: Let me now turn to the updated environmental analysis of the Scoping Plan.

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ASSISTANT CHIEF CHANG: Under the California Environmental Quality Act, or CEQA, agencies must consider alternatives to their proposed project. For each alternative, the agency must describe the potential adverse environmental impacts and analyze whether the alternative will meet the proposed project objectives. In this case, the proposed project is the proposed Scoping Plan. The agency must then compare the potential adverse

environmental impacts of the alternatives to the potential adverse environmental impacts of the proposed project and compare each alternatives -- alternatives ability to meet the objectives with the ability of the proposed project to meet the objectives.

In currently pending litigation, a California trial court found that the analysis of the alternatives identified in the environmental document for the Scoping Plan was not sufficient for informed decision making and public review under CEQA. ARB disagrees with the trial court finding and has appealed the decision. However, in the interest of public participation and informed decision making, ARB prepared an updated analysis and possible alternatives to the proposed Scoping Plan. This update was released on June 13th for public comment.

ARB staff drew upon considerable internal expertise as well as an experienced team of CEQA experts to engage in a serious exercise to re-examine alternatives to the proposed Scoping Plan and to consider the many thoughtful comments we received. The resulting analysis reflects a robust look at alternatives that could meet the main objectives of AB 32, as well as the potential adverse environmental impacts of those alternatives.

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ASSISTANT CHIEF CHANG: I will now describe each

of the alternatives, including the ability of each alternative to meet the project objectives and the potential adverse environmental impact of each alternative.

The update provides a programmatic level assessment of the alternatives. The level of detail reflects that the project is a broad policy framework of recommended measures. The analysis does not provide the level of detail that would be provided in subsequent environmental documents prepared for individual measures.

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ASSISTANT CHIEF CHANG: The 20 objectives for this project are drawn directly from AB 32 and illustrate the broad range of factors that the Board must balance when choosing the appropriate policy direction for meeting AB 32 goals. I have highlighted some of the key objectives on this slide. They include meeting the 2020 emission goal, achieving technologically feasible and cost effective reductions, avoiding disproportionate impacts, and minimizing emission leakage.

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ASSISTANT CHIEF CHANG: The staff evaluated five alternatives: A no-project alternative; alternatives relying solely on cap and trade; direct regulations; and a carbon fee or tax; as well as an alternative that combines

elements of the cap and trade, direct regulation, and a carbon fee.

I will now discuss each alternative.

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ASSISTANT CHIEF CHANG: The no-project alternative assumes that ARB adopts and implements no further measures to reduce greenhouse gas emissions. Measures which are already being implemented or would be reasonably expected to occur, such as the low carbon fuel standard and energy efficiency, would continue.

Under this alternative, California would likely not meet the 2020 goal, falling short by about 22 million metric tons. This alternative is not feasible because ARB is required by statute to meet the 2020 limit.

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ASSISTANT CHIEF CHANG: The second alternative relies solely on cap and trade to achieve the remaining 22 million metric tons needed by 2020.

For the purposes of this analysis, staff assumed a cap and trade program based on that proposed in October 2010. This tap and trade approach would include a transition from free allocation of allowances to auction to minimize leakage, as well as offsets to provide cost containment. Under this alternative, no additional direct regulations, including the advanced clean car regulation,

would be pursued.

This alternative would be expected to meet the main AB 32 objective of reducing greenhouse gas emissions to 1990 levels by 2020. However, reliance solely on a price signal would likely minimize incentives for technological change to reduce greenhouse gas emissions in the automotive industry. All technologically feasible and cost effective reductions may not be achieved. Although our analysis determines that increases in co-pollute emissions are unlikely, there is a remote potential for localized impacts and the program design minimizes leakage.

The potential adverse environmental impacts would likely be similar to those of the proposed Scoping Plan.

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ASSISTANT CHIEF CHANG: The third alternative relies solely on direct regulations to achieve 22 million metric tons of emission reductions. The direct regulation approach described in the analysis targets various sectors. In the transportation sector, the alternative envisions pursuit of the advanced clean car regulations. The alternative would require the replacement of at least 50 percent of coal-based electricity generation, with the cleanest natural gas electricity generation. The alternative would also impose facility-specific caps to

reduce emissions by 20 percent from large refineries, cement plants, and large oil and gas extraction facilities by 2020. Under this alternative, there is no hard cap on most emissions, although there would likely be a hard cap on emissions from certain facilities.

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ASSISTANT CHIEF CHANG: This alternative is less likely to meet the main objective of reducing emissions to 1990 levels to 2020 because there is no cap on most emissions. Because the alternative relies on direct regulations, it is likely to be less cost-effective than a market-based approach and may result in emission leakage. The effect on disproportionate impacts are uncertain because the compliance strategies are unknown.

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ASSISTANT CHIEF CHANG: This alternative could have fewer greenhouse gas benefits because the potential for emission leakage. Other potential environmental impacts are similar to the proposed Scoping Plan.

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ASSISTANT CHIEF CHANG: Under alternative four, ARB would pursue a carbon tax or fee. Although there are myriad ways to design a carbon tax or fee, for the purposes of this analysis, we assumed that tax or fee would cover the same sources that would be covered under

the cap and trade regulation and the point of regulation would be the same.

In order to minimize leakage, we also assumed that the tax or fee would only be assessed on emissions above a certain benchmark and that other administrative mechanisms could be implemented to minimize leakage. The carbon tax or fee alternative does not include a firm emission cap or performance standards.

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ASSISTANT CHIEF CHANG: The main drawback to the carbon tax or fee is that it risks failing to meet the 2020 emission goal. Without a firm cap on emissions, there is less certainty that we will meet the 2020 limit. It would be difficult to set the tax or fee to strike the right balance between obtaining not enough emission reductions, thereby failing to meet the AB 32 goal and obtaining too many emission reductions.

And because the fee or tax alternative does not include offsets, the cost would likely be higher than the proposed Scoping Plan. Because a tax or fee approach has no emission cap or performance standard, the impact on local emissions is uncertain. Administrative mechanisms could reduce leakage, but would make a tax or fee more complex to administer.

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ASSISTANT CHIEF CHANG: This alternative may have fewer greenhouse gas benefits because of leakage. However, overall, this alternative has similar potential environmental impacts as the proposed Scoping Plan.

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ASSISTANT CHIEF CHANG: The last alternative is a combination of cap and trade, direct regulation, and carbon fee approaches. Under this alternative, the transportation sector would be directly regulated under the advanced clean car regulation. The industrial and electricity sectors would be subject to a cap and trade regulation. Transportation fuels and commercial and residential natural gas use would be subject to a carbon fee.

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ASSISTANT CHIEF CHANG: This alternative would be less likely to achieve the 2020 emission target because a substantial portion of the emissions are not subject to a firm cap. It would be difficult to set the fee on transportation fuels and natural gas to strike the right balance between obtaining not enough emission reductions and to many emission reductions.

This alternative is slightly less susceptible to leakage than the carbon tax or fee option because transportation fuels and commercial and residential

natural gas use are less susceptible to leakage than industrial sources.

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ASSISTANT CHIEF CHANG: The potential environmental impacts of this combination alternative are similar to those of the proposed Scoping Plan.

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ASSISTANT CHIEF CHANG: This slide compares the alternatives. Most of the alternatives have the ability to meet the main objective: Reducing emissions to meet the 2020 emission goal, although the likelihood varies. The carbon tax or fee alternative offers the least certainty about meeting the 2020 goal. The alternatives have similar potential environmental impacts to each other and to the proposed Scoping Plan.

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ASSISTANT CHIEF CHANG: As I mentioned, ARB posted the environmental analysis for the alternatives on June 13th for a 45-day comment period. During this public comment period, ARB held a workshop on July 8th to provide clarification on the update as well as to solicit stakeholder comments. We received 109 comment letters and several transcript comments and posted our responses to comments on August 19th. Comments fell into several main categories, with most of the comments focusing on issues

other than adequacy of the environmental analysis.

Many commentors advocated for a different approach than that in the proposed Scoping Plan. Most of these commentors advocated for a carbon fee or tax instead of a cap and trade, with some proposing reliance solely on direct regulations. Many commentors focused on design features of the cap and trade regulation, including the forestry offset protocol. These commentors were referred to the cap and trade regulatory process.

Some commentors expressed concerns about potential localized impacts associated with the proposed Scoping Plan. In the response to comments, ARB also provided additional clarification about the emission reductions associated with adopted and ongoing measures at the request of some commentors.

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ASSISTANT CHIEF CHANG: After consideration of the updated alternatives analysis and the comments received, ARB staff have concluded that the proposed Scoping Plan remains the best approach for achieving the goals of AB 32. The proposed Scoping Plan outlines a comprehensive approach that includes a firm emissions cap to drive emission reductions and includes a market mechanism designed to achieve the most cost effective mix of emission reductions.

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ASSISTANT CHIEF CHANG: Staff recommends that the Board set aside the approval of the 2008 Scoping Plan, approve the environmental analysis, including the updated alternatives analysis and the staff's responses to comments, and approve the proposed Scoping Plan.

Thank you.

CHAIRPERSON NICHOLS: Thank you very much, Ms. Chang, for a very comprehensive presentation. It covers a lot of ground and represents a lot of work behind it.

I think what we're going to do now is to turn to the public and ask the Board members -- I know they've all read and been briefed on the plan and the alternatives analysis and have had many opportunities over the last couple years to receive input, so we will turn to the commentors. To start with, however, we normally call on representatives of local governments or elected officials or representatives of other jurisdictions. And we are fortunate to have here today representatives of our -- some of our partner jurisdictions in the Western Climate Initiative. And so we are going to call on them first. We have four speakers. They'll each get the normal three minutes. And I believe the order of their presentation is as follows: First Tim Lesiuk, who's the Executive

Director of Climate Action Secretariat for the Province of British Columbia; second, Heather Pearson, who is the lead on air policy instruments and program designs for the Ontario Ministries of the Environment; third, from the government of Quebec, we have Robert Noel De Tilly, Senior Policy Advisor for sustainable development. And lastly, Cassie Doyle, who is the Consul General of Canada here in San Francisco.

So if the four of you will come forward, we'll welcome your comments. Thanks for being here.

MR. LESUIK: Thank you, Madam Chair. And thank you, Board, for allowing us to make these short presentations today. It's a pleasure to be here in California. We continue to design and development of the regional cap and trade system the option you're considering today.

I work for the government of British Columbia. My name is Tim Lesuik, Executive Director of Business Development. And I work in a group called the Climate Action Secretariat that coordinates climate action across all of our government ministries and cross the Province of British Columbia.

I'd like to give you some brief background on our province to begin with. BC's the western most province in Canada made up of diverse terrains, peoples, and

economies. It's rich in history.

And British Columbia's total land area is 95 million hectares, larger than France and Germany combined and approximately 10 percent of Canada's total area. Washington state, Idaho, Montana border BC to the south, Alberta to the east, the northwest, and Yukon territories to the north, and Alaska to the northwest. So we have strong relationships with all of those partners and along the pacific coast. And we have many initiatives, including many on climate that link us and attempt to do things collaboratively and benefit from the large populations and initiatives on the west coast that make it an even larger difference as a group than we can as single entities.

British Columbia, for contrast with California, has a population of about 44.5 million people; combined GDP of $191 billion per year, and greenhouse gas emissions of 69 mega tons. So in Canada, we're a small part of the total Canadian greenhouse gas emissions. But the Province has been extremely active over the last four years in looking for ways to reduce the emissions and transition our economy.

British Columbia is one of North America's most competitive and dynamic places to do business. We're Canada third largest generator of hydroelectricity, and we

provide a significant amount of electricity to the west coast of north America. We're Canada's second largest natural gas producer. And we continue to see tremendous growth in that sector in the northeast to British Columbia.

The BC forest sector has fueled BC's economy for decades and is poised for rebirth as demand for carbon neutral wood products and bioenergy has seen continued growth across the Pacific Rim. And at the same time, we have nearly a thousand provincial parks across those millions of hectares of land, parks and protected areas that attract about 20 million visitors per year. And we have over 14 percent or 33 million acres of protected area, more than any other province in Canada.

So we balance those dynamic interests on a daily basis. And climate change is bringing the economic interest of those key sectors and environmental interests of the people and the land of British Columbia together. We're having very similar conversations in British Columbia.

BC has a road map to a prosperous green economy for the future. The government has put in place a revenue neutral carbon tax on greenhouse gas emissions from fossil fuels and has cut taxes on personal and corporate income tax. We've legislated tailpipe emissions for cars and

fuels they use similar to California. We have incentive programs for residential and commercial buildings and we've collaborated on those with California and our western partners.

CHAIRPERSON NICHOLS: Excuse me. Three minutes goes by really quickly. If you could summarize quickly.

MR. LESIUK: I will.

In December 2010, we completed consultation on our proposed cap and trade program and emissions trading and offset regulations align to the Western Climate Initiative, similar to some of you those before you today. We've been working with California and the WCI jurisdictions to finalize the details of the design. We're undertaking a comprehensive economic analysis right now to support a decision by our government whether to move forward on cap and trade. And we believe that the decisions you make today are very important and it would provide us some confidence that in that future as we make our decisions that there will be entities to trade with. There is no cap and trade without the trading component.

So we're looking forward to the decisions you make today and look forward to your continued leadership in the Western Climate Initiative.

Just as a final note, the staff of all jurisdictions that have worked on this initiative for the

past four years have shown great courage and dedication and I think believe deserve our commendation and encouragement to continue to move forward on the design. Looking forward to the decision you make today and to provide us with the opportunity to continue to work with them.

So thank you, Madam Chair and Board.

CHAIRPERSON NICHOLS: Thank you.

MS. PEARSON: Good morning. My name is Heather Pearson. I'm from the Ontario Ministry of the Environment. And I'm also very pleased to be here today to speak to you about the work that's going on in Ontario.

In 2007, Ontario introduced its climate change action plan, and this includes greenhouse gas emission reduction targets of 6 percent below 1990 levels by 2014; 15 percent below 1990 levels by 2020; and 80 percent below 1990 levels by 2050. We know that we need to find reductions in all sectors to achieve the targets, and we annually report on our progress towards this work.

Ontario is working hard to reduce our dependence on coal and fossil fuels for energy. We are shifting to a clean energy and low carbon economy, which will be built upon clean and efficient production.

A key element of our plan is phasing out coal fire generation and promoting renewable energy. Ontario

is on track to phase out the use of coal in electricity generation in the province by the end of 2014. And it's increasing the renewable energy supply and conservation efforts.

Ontario's plan to phase out coal by the end of 2014 is one of the largest climate change initiatives in North America. To support the phase out, we have also enacted the Green Energy Act, which includes a comprehensive fee and tariff program.

We are also addressing emissions from other sectors, including promoting transportation efficiency with record investments in public transit over the past decade, committing more than nine billion to our regional rapid transit projects, 600 million to light rail transit in Ottowa, and 300 million to Waterloo's region rapid transit.

Finding other mechanisms to reduce greenhouse gases by protecting and conserve Ontario's water, land, and forest is also underway. We have enacted legislation to strengthen the existing framework through the Green Energy Act, which protects green spaces and focuses growth and the Water Opportunities Act, which conserves water and encourages development of new technology.

We are also working to attract green investment in creating jobs. Ontario has attracted 16 billion in

private sector investment in renewable energy generation projects. The Green Energy Act, including our feed-in tariff program, is expected to create 50,000 green energy jobs by the end of 2012.

Working with our WCI Partners, we have made good progress toward developing an emissions trading program, and we remain committed to developing and implementing a cap and trade program for Ontario.

Further work still lies ahead to put in place a program that will work for Ontario's industry and deliver the environmental benefit that Ontarians value.

We are working through our greenhouse gas reporting regulation to collect the data needed to design the right program. We have continued to work with our WCI partners on the elements that are needed to support the infrastructure, including the tracking and auctioning system, market oversight, offsets, and possibly an administrative organization.

CHAIRPERSON NICHOLS: Your time is up.

MS. PEARSON: One thing.

CHAIRPERSON NICHOLS: Yes?

MS. PEARSON: We all benefited from the expertise and experience brought to the collaborative effort. And we hope that California will decide to continue to move forward towards implementation.

CHAIRPERSON NICHOLS: Thank you very much.

MR. TILLY: Good morning, Madam Chair Nichols, distinguished Board members. I'm Robert Noel De Tilly of the Province of Quebec.

I must admit I'm really impressed by California's hospitality. It's the second time I have a chance now to address this audience. And it's a privilege to us as a representative of a foreign government to have a chance to speak to you.

So California and Quebec are quite different. We have a larger territory, but our population is much smaller. I would say about five times smaller. GDP is smaller. GHG emissions also smaller. And our climate is different from yours, of course. But we have something in common, and it is our determination to address the climate change issue. And this is very, very important to us.

Quebec GHG emissions now are on the down slope. We were over about four percent above the 1990 level ten years ago. Today, we are two percent below the 1990 level, and we have a target of being six percent below the 1990 level in two years and also a target of being 20 percent below the 1920 level in 2020. This is a very aggressive target. To achieve this target, we have adopted different climate action plans over the years. Presently, we're having about 2,000 projects that are

being implemented to reduce these reductions. And we are very hopeful that we will attain -- we will reach our target for 2012 and 2020.

Of course, cap and trade is very important part of our strategy to reach this target. And incentive measures are important, but we believe that this trend of the market is very important. And this is why we work with our WCI partners to implement a common program here in order to create a common carbon market. We believe in the strength of the market. And we are very hopeful that we will have adopted our regulation by the end of the year and we will be then in a very good position to sign agreement with our WCI partners that will have adopted their regulation. Thank you very much.

CHAIRPERSON NICHOLS: Thank you.

MS. DOYLE: Good morning, Madam Chair, distinguished Board members.

I'm here both as the Consul General for Canada in northern California as well as the representative of Environment Canada to the Western Climate Initiative. And I'm pleased to have this opportunity to provide with you some information on the government of Canada's approach on climate action, which I trust will provide some useful context for understanding the presentations of my previous -- my colleagues who have just made their

presentations.

So I want to stress that any progress that we've made in Canada on GHG emissions reduction has been as a result of a combination of federal, provincial, and territorial actions to date. Canada is committed to ensuring long term success through continued collaboration with key partners, such as the provinces represented here. And we also are very interested in engaging with the Western Climate Initiative on a continued basis.

In December 2009, the government of Canada committed to a national GHG reduction target of 17 percent below 2005 levels by 2020 as inscribed in the Copenhagen Accord, a target that is fully aligned with the United States.

And just a quick status report. In '09, Canada's total GHG emissions were estimated to be 619 mega tons, a decrease of approximately 6 percent from 2008 levels attributed to two things: Of course, the global economic recession and also the reduced use of coal for electric generation in Canada.

So Canada's plan to reach its GHG goal in addition to collaboration with our provincial partner is through a sector by sector regulatory approach as well as significant investments in clean energy. In the transportation sector, our largest source of emissions, we

have finalized regulations to limit emissions from passenger cars and light trucks for model year 2011 and beyond fully harmonized with regulations in the United States initiated here in California.

Work is underway on more stringent regulation for model years 2017, as discussed here this morning. In addition, we are also working with the U.S. to regulate emissions from new heavy duty vehicles and earlier this month released a consultation paper on the main elements of the proposed regulation.

The government has also put regulations in place in 2010 requiring five percent renewable fuel content in gasoline. And effective earlier this month, two percent renewable content in diesel fuel and heating and oil.

We have recently announced aggressive regulations for the coal fired electricity sectors that will provide a gradual phase out of all traditional coal-fired generation and promote a transition to lower or non-emitting types of generation, such as high efficiency and natural gas, renewable energy and only coal-fired plants that have carbon capture and sequestration facilities.

So that in a nutshell is Canada's approach to reducing GHG emissions and meeting our 2020 target.

I just want to say that, again, that we will rely on collaboration with the provinces to ensure that we meet

those targets and that we look forward to future engagement with the Western Climate Initiative to address progress on climate change. Thank you very much.

CHAIRPERSON NICHOLS: Thank you. Thanks for all the encouragement.

We are now going to move to the block of witnesses we have signed up through the organization CBE, CRPE, and we have a separate list here. So we will begin with Adrienne Bloch and then Bill Gallegos and Brent Newell.

And since the list is up on the board, it would be very helpful in terms of moving the flow of the discussion if you could all sort of be ready to step up when it's your turn. Thank you.

MS. BLOCH: Good morning, Chair Nichols and members of the Board.

My name is Adrienne Bloch. I'm from Communities for a Better Environment.

The court in the case that specifically spawned this process noted that it was not really possible to authentically consider alternatives to cap and trade while at the same time implementing and moving forward with those regulations. It's a process that involves setting up complex new financial markets at a very financially complex time.

It's as if you're being asked to consider having breakfast -- considered while you're making bacon and eggs. You're making bacon and eggs, and you're being asked to consider alternatives to that while you're actually at the frying pan. It's highly unlikely you could actually consider any alternative at that time. Here, there was such a hurry this comment period literally overlapped to a comment period on the amendments to the regulation. And I have to say that on behalf of CBE, it's been a little bit of an insulting process. And we hope that today can be something other than just a mere formality on your part.

We received the response to comments late on Friday. And we found that the response to comments did not actually respond to the comments that we submitted. Greg Karras as is going to speak in a few comments on giving an example of that. But the responses were also confusing. After establishing that cap and trade disproportionately impacts low-income communities of color, we described alternatives that are feasible and that avoid significant impacts. The response to comments say that some of these alternatives are infeasible and that it's not proper to single out specific sectors in reducing emissions.

But then the staff's alternatives analysis

singles out specific sectors in its analysis. And then Attachment D on page 64 actually acknowledges that certain alternatives are feasible, but that they would require further study. Staff's decision not to study feasible alternatives is not a sufficient reason to reject an alternative. It's critical that before adopting the fed staff adequately respond to comments and that the Board understand the implications of choosing cap and trade over feasible effective alternatives.

CHAIRPERSON NICHOLS: Thank you.

Mr. Gallegos.

MR. GALLEGOS: I just want to thank Chairman Nichols and the Board for allowing us this time. Really appreciate the chance to engage in this conversation.

Before I start, I'd just like to -- not all the people from the community that are concerned about this can say anything. I'd like folks to stand up from CBE and CRPE just to get a sense of the concern people taking time off of work, from school, to be here to engage in this civic process because there is a real concern, a serious concern.

Communities for a Better Environment is a member of the Environmental Justice Advisory Committee, one of the Committees mandated by AB 32. And we've worked for several years very diligently, mostly unfunded, to provide

thoughtful analysis, critique, and recommendations to the ARB's Scoping Plan. We took it seriously, as did every member of the EJAC. We have a special expertise in oil refineries, so we worked particularly hard in that arena. And we worked with CARB staff since oil refineries are the largest emitter of greenhouse gasses -- we're the third largest refinery state in the country. And we made a number of concrete proposals for reducing this arena of greenhouse gas emissions as well as a range of toxic co-pollutants that would be captured.

We actually have to say we had a very positive relationship with the ARB staff in preparing these recommendations. Unfortunately, those recommendations were not included in the Scoping Plan, did not seem to be given serious consideration, despite that support from the CARB staff.

It felt to us like the decision to adopt cap and trade for all industrial emissions was a political decision, rather than one based on evidence and science and the potential impacts on low income communities of color. That was our feeling.

We are here today because now you have an opportunity to correct this major defect in the Scoping Plan. California has another chance to get it right, and right now California is the only game in town. There is

going to be no international climate trade, it doesn't look like. Forget it at the federal level. We are the model. So we have a chance to get it right. We have an obligation to get it right and create a visionary model for this country and for the world.

Our proposed alternatives will not only produce direct and verifiable greenhouse gas reductions to meet the goals of AB 32 and we specified exactly how they can be done. They will also benefit the environmentally overburdened communities by capturing co-pollutants, which is one of the considerations in the spirit of AB 32. They will generate and keep new green jobs in California. We have a lot of respect for our folks north of the border, but we need those shops here. We need an economy. We need an economic stimulus here at a time when our economy desperately needs this kind of economic resource.

They will ensure that we avoid the fraud and system gaming that have plagued pollution trading programs almost everywhere they've been tried.

Members of the Air Resources Board, we ask you to join with us to strengthen the AB 32 Scoping Plan and ensure California's leadership in saving Mother Earth from destruction.

CHAIRPERSON NICHOLS: Thank you so much. Thank you to all the people who have come today to be here to

listen and participate.

I want to say what I said at the outset, which is this Board is not under any obligation to act in any particular manner, except to do what we think is right. That's what we were appointed to do and that's what we will attempt to do.

Mr. Newell.

MR. NEWELL: Good morning, Madam Chair and members of the Board. My name is Brent Newell. I'm the general counsel of the Center on Race Poverty and the Environment.

We are here and I am here appearing on behalf of those individuals and groups that signed our comment letter. And I would remind the Board that the California Environmental Quality Act requires the Board to engage in a meaningful and good faith analysis of alternatives.

If you approve the alternatives analysis and proceed with the Scoping Plan as proposed by staff, then you will violate that duty.

Ever since you lost the lawsuit Association of Irritated Residents versus California Air Resources Board -- and I say "you" intentionally because this Board was the defendant, you in your official capacity are named as defendants.

This Board's tactics have betrayed your

intentions and makes this analysis nothing more than a post hoc rationalization for a decision that is cap and trade that you've already made and that you appear to have no intention from changing.

Right after you lost that lawsuit, you immediately appealed Judge Goldsmith's decision and his injunction that ordered you to stop developing cap and trade. You immediately sought what is called a writ of supersedeas, which is in English an order from an appellate court stopping Judge Goldsmith's injunction from taking effect.

You argued that if you did not get any relief from the appellate court that you would be somehow irreparably harmed or the environment would be harmed if you could not implement cap and trade on January 1st, 2012.

The court of appeals allowed you to continue to develop and implement cap and trade. They granted your petition. So Judge Goldsmith's decision was suspended.

Now, I want to add that just five days after the court of appeals halted Judge Goldsmith's decision, Chairman Nichols announced that you were deferring enforcement and operation of cap and trade for a full year, until January 1st, 2013. So you told the court of appeals one thing, and then you got the remedy you sought

and then you turned around and delayed cap and trade for a year.

You have consistently sought to move forward with cap and trade while you simultaneously and supposedly have been considering alternatives to cap and trade. These facts demonstrate that this analysis and your consideration to alternatives are a sham, are meaningless, and are done in bad faith. Your actions speak much, much louder than your words. Thank you.

MR. KARRAS: Madam Chair, members of the Board, Greg Karras, Communities for a Better Environment. Instead of controlling oil refinery emission, California's Air Resources Board --

CHAIRPERSON NICHOLS: Pardon me. Can I just ask where you are on the agenda? I don't -- your name is not next on the list.

MR. KARRAS: Yeah. Our coordinator asked me to speak next. I don't know where I am on the agenda. I did sign in. I was on the list.

CHAIRPERSON NICHOLS: Well --

MR. KARRAS: If you'd like to call me later, that's okay.

CHAIRPERSON NICHOLS: It's your group's list. I'm sorry, but we're trying to keep some kind of order here. I don't mean to be rude, but you see what we got.

This is what your group presented to us.

MR. KARRAS: Would you guys like me to speak?

I'm just doing what I'm told. If you'd like me to speak later, just let me know when.

CHAIRPERSON NICHOLS: I'd like to hear from Eloisa Fernandez who is the next on the list, please. If she doesn't wasn't to speak, then Sofia Parino and then Gustavo Alvarado and Antonio Alvarado and Rodrigo Romo and Jessica Romo. I didn't prepare this list. This is your list.

MR. KARRAS: That's all right with me. When would you like me to speak?

CHAIRPERSON NICHOLS: Whenever you're on the list. I don't happen to see your name here actually at the moment.

MR. KARRAS: I did see my name on your list at your clerk's outside. But I agree with you, I'm not on your list in here. I don't know why.

CHAIRPERSON NICHOLS: Can you check with the clerk? So there's another page that's being added to the list, which is fine. It says here this is the group that can stay beyond 3:30 p.m. and there are others who have to leave earlier. I'm just trying to work with you here.

MR. KARRAS: Me too. I'll respect your decision if you'd like me to speak later.

CHAIRPERSON NICHOLS: Thank you. I think that would be -- and if you all want to regroup and work with the Clerk to change the list around --

MR. KARRAS: Sure. Let's do that.

CHAIRPERSON NICHOLS: Ms. Fernandez and then Ms. Parino and then Mr. Alvarado. Are you here to speak?

MS. FERNANDEZ: Good morning, everybody. My name is Eloisa Fernandez. I come from the community of Shafter. I come from the community of Shafter. From the environment, I know the bad things that we have going on there, the fumigation. We are lots of people that is sick of asthma since we are living there.

Because I live there since the last ten years and since then we have asthma from the allergies from the fumigation. I know that was going on there. The environment is very poor because of the fumigation they have for the fruits, the fumigations. The environment is very poor.

So the thing is that we are asking for help so the fumigations are not so close to the households or the school where the children are. That's the whole community, we are present right here from the community of Shafter. And so we are here on behalf of the community. We're all together on behalf of the community. Thank you for everything.

CHAIRPERSON NICHOLS: Thank you.

Sofia Parino.

MS. PARINO: Good morning. I want to apologize in advance for being a little breathy. I'm eight-and-a-half months pregnant and my lung capacity is not the best. I've been running around. So just in advance, if I'm a little breathy, that's that.

My name is Sofia Parino, and I'm from CRPE. You know, you're going to hear from a lot of our community members today who have taken the long drive from the central valley to be here and to speak about the pollution and the co-pollutants and the greenhouse gases in their neighborhoods and in their communities. And one of the major sources of that in the valley is agriculture. And so, you know, we were hoping when we saw this alternatives analysis that there would be some discussion of actually having agriculture being regulated and a part of the plan to reduce greenhouse gases and not just a voluntary offset measure.

You know, not only is agriculture -- I mean, that's one of the main issues in our communities in the valley, but it is it account for six percent of the greenhouse gas emissions in California. So, you know, that's a pretty sizable chunk that is being left to voluntary offset type programs.

Methane emissions, which are from the large animal facilities that are in the valley, those emissions actually have a potential -- a global warming potential of over 25 times that of carbon. And that accounts for over -- for over three percent of the total greenhouse gas emissions in the state. So half of our greenhouse gas emissions that come from agriculture are coming from methane from these large animal facilities. And these are not being regulated under this program. And they really need to if they want to: One, make sure that our communities that are near these facilities are being protected; and two, if we really want to reduce our greenhouse gas emissions, this is sort of a big ticket item that is being left out.

We have in our letters and time and time before you, we have mentioned that there are cost effective technologies that can significantly decrease methane emissions at these large confined animal facilities, that they're available, that they're in use around the country and in California and that they should be made mandatory.

You know, along with the greenhouse gases, there is the co-pollutant issues, and those are a big piece of the ag PM10, PM2.5, NOx. These all have significant air pollution impacts on our health and on our communities. And this is just a real easy simple way to get these

reductions, not only air pollution and greenhouse gases, is to take these regulations mandatory. Thank you.

CHAIRPERSON NICHOLS: Thank you so much.

Gustavo Alvarado, followed by Antonio Alvarado and Rodrigo Romo, are any of you speaking?

Johana Romo, Jessica Romo, Socorro Guzman, Melissa Guzman. Sorry. I have a new list. Who's this?

MR. ROMO: Rodrigo.

CHAIRPERSON NICHOLS: Okay. I had just -- I'm sorry. The list was changed and Greg Karris and Caroline Farrell have put their names down ahead and you next, if that's okay. Greg, Caroline, and then Rodrigo. Okay. We'll try to get this in order. Thank you.

MR. KARRAS: Hello again. And thank you for working with us.

Greg Karras, Communities for a Better Environment.

Madam Chair and members of the Board, instead of controlling oil refinery emissions, California's Air Resources Board proposes to give refineries free permission to pollute. Refining is the biggest industrial polluter statewide. ARB's own former advisor showed refineries cause disproportionately high exposure to GHG co-pollutants like particulate matter in low-income communities of color. ARB itself finds this localized air

quality impact could be significant.

But ARB's theory that California refineries will shut down before they clean up and that this will increase total emissions from increased production of refineries elsewhere that are dirtier is not even possible. Refineries elsewhere are not dirtier. In fact, ARB staff does not even attempt to rebut clear and convincing evidence that the average emissions intensity of California refining is substantially higher than that of any other major U.S. refining region. By refusing to disclose or address facts that disprove its leakage theory, ARB threatens to base its proposal to violate environmental rights on a cover-up.

Allowing oil refineries to pollute steals our health and jobs. ARB staff blatantly ignores evidence straight out of the U.S. Economic Census that shows oil refining is next to last in jobs and the sector's refiners would spend on to clean up create at least ten times as many times per dollar in the California economy. But repeatedly, staff's findings reject feasible refinery reduction emission measures based on perceived costs to oil companies, while ignoring this clear evidence that the measure would restore desperately needed jobs.

Please reject your staff's flawed environmental analysis and direct your staff to focus instead on

developing alternatives to its harmful cap and trade scheme that you can actually consider. Thank you.

CHAIRPERSON NICHOLS: Thank you.

Caroline Farrell, and then we'll hear from Mr. Romo.

MS. FARRELL: Good morning, Chairwoman Nichols, members of the Board. My name is Caroline Farrell. I'm the Executive Director of the Center on Race Poverty and the Environment.

I have a slight cold, so hopefully you'll be able to hear what I'm saying without too much trouble.

The Air Resources Board's alternative analysis does not comply with either the superior court's order or the California Environmental Quality Act. ARB was required to do more than bolster its previous alternatives analysis. Instead of engaging in a good faith analysis, ARB skews the alternatives analysis just to justify the foregone conclusion of adopting the cap and trade program.

One of the ways it does that I'm going to highlight is that ARB includes more objectives in the alternatives analysis that make cap and trade sort of a pre-determined outcome by including objectives around market mechanisms. In increasing the number of objectives of the program, ARB's analysis focuses on just tracking AB 32's requirements in various respects. It walks through

the statute. It does so without paying much attention to those provisions which are required versus those which are discretionary, creating all of them to be objectives of the program. Specifically, creating market mechanisms is an objective for the program.

That's actually not the case. Market-based mechanisms is a discretionary element of AB 32. ARB is authorized to adopt a market mechanism but is not required to. By having that as an objective, it skews anything that's not a market mechanism from complying with the alternative analysis objectives and therefore makes those less attractive or less environmentally superior alternatives, which is exactly the opposite of what they are; direct regulations across the board that ensures uniform reductions in communities regardless of income or race is more protective than one that leaves it up to the market and is not very protective of low income communities or communities of color.

Therefore, ARB should not approve the alternatives analysis as prepared and require a new alternatives analysis that complies with both the court's order and with CEQA. Thank you.

CHAIRPERSON NICHOLS: Okay. Rodrigo.

MS. FARRELL: One thing. Over the course of the last few months, we've collected about a thousand

petitions from folks in the San Joaquin Valley who are interested in making sure that, as Sofia said, agriculture is regulated as well as industrial sources are directly regulated versus cap and trade. And I just would like to present these to the --

CHAIRPERSON NICHOLS: Could you just give those to our clerk over here, and we'll get a chance to look at them. Thanks.

Okay. Now to Mr. Rodrigo Romo.

MR. ROMO: Good morning. My name is Rodrigo Romo. I reside in the city of Shafter, California.

I would like to start by reading something that we had prepared. It is a reference to a green gas that is a mix of toxic gases like dioxin sulfur and sulfur nitrogenous. The places that have these poisons are mostly Latin communities and Afro-American communities.

The city of Arvin and people that is here is from that place, from Arvin, is the worst air in the state. It has an oil refinery where in this state in Richmond is the highest asthma -- they have more asthma than any other place in the state.

We need for implementation of the AB 32 to change these facts and to change our communities in California. And I would like to say few are worse than my communities, and the city has the worst air quality is the city of

Shelter. Because many times you have knowledge of what's going on in these communities, like chloroform, dairy products, and pesticides, and basically all these poisons on the environment.

And I would like to thank you very much for listening to us, and I would like to ask you as well to pay attention to our requiring our requests and our petitions. Thank you.

CHAIRPERSON NICHOLS: Jessica Romo, are you planning to speak or Johana Romo? Socorro Guzman, Melissa Guzman, Gloria Madrigal, Pulo Lopez.

Someone is coming up. Good. Gloria.

MS. MADRIGAL: Yes. Good morning. We're here representing the community of Wasco. And I would like to let you know we support this law, the AB 32. What we don't support is implementation, how to implement because this not only affects the communities, but the whole California. Even yourselves and ourselves and workers, like, we live in this country. All these forms that we brought, I hope you pay attention to them, because they are from all of our towns. We work. And today they couldn't come, because they are working. They had to be working, too. Thank you very much.

CHAIRPERSON NICHOLS: I understand those of you who are here are representing many others who are not able

to be here.

Pulo Lopez, Lucy Cuevas, Javier Pimentel, Steve Garcia, Ruben Trujillo, Ignacio Buenrostro, Felipa Trujillo, Gustavo Fernandez, Ana Valle, Hugo Tamayo, someone is coming down.

MR. TAMAYO: Hello. My name is Hugo Tamayo. I'm here from the city of Arvin.

And I'm not a very good speaker, but just bare with me.

I'm the Vice President for the Committee for a Better Arvin. And, you know, we don't agree on this cap and trade. As you know, we are the worst state in the whole nation. And I wish that some of you could go to Arvin and see how many kids have asthma, see how the kids are really suffering.

I mean, we don't need any more bad air. We already have enough. We're trying to fight for a better community, better, cleaner air. And now you got this cap and trade, it's not going to work. Didn't work in Europe, it's not going to work here. So please help us out. We don't need any more bad air. Thank you.

CHAIRPERSON NICHOLS: Romelia Melendez, Margarita Orsua, Delfina Colunga, Salvador Melendez, Olivia Trujillo. Is this Salvador? No. Okay.

MS. TRUJILLO: My name is Olivia Trujillo, and I

was in Arvin since 1962, over 50 years. And the truth is, I have seen the changes. It's horrible. And it's not getting any better. We have become L.A.'s dumpster. You know, all their garbage comes into our community, their air quality. And I'm here to support AB 32. But we do need to get better implementation. Thank you.

CHAIRPERSON NICHOLS: Thank you.

Estela Garcia, Lupe Martinez, Juan Flores, Refugio Valencia.

MR. FLORES: My name is Juan Flores. Thank you so much for taking time to listen to me.

I'm coming from the city of Delano, which is in Kern County -- north of Kern County. I work with these communities Shafter, Wasco, Arvin. It's sad that in the state in communities like Shafter they -- children are receiving notes from school saying that following day there's going to be pesticides being put on the fields. If you want to come, come. If not, well, that's okay.

We cannot afford that for population of big agriculture farms our kids are staying home while these people, which sometimes they don't even live in California, are getting richer at the expense of the education of our kids. And it is sad to see the kids staying home because they can have an attack of asthma in the middle of their lunch, in the middle of the math

class, in the middle of their science class. These children are the future of this country. We cannot play with that anymore. Thank you.

CHAIRPERSON NICHOLS: Mr. Valencia.

MR. VALENCIA: Good morning. My name is Refugio Valencia. I live in the city of Bakersfield, California. As you already heard, Bakersfield, California is one of the most contaminated cities of the country as well.

I want to think that all the Board of Directors is thinking right here from the ARB like all these would be new. However, I cannot believe that because you already have lots of years working, but the results of your work is not -- very bad. It's not so good because contamination keeps working every year. It keeps growing. It's more. And so as the contamination is getting bigger and growing, so is health problem of our children from the southern California as well.

I want to tell you something what's going on in the United States in reference to the children, to the youth. The sports leagues is bringing stars from another sports -- stars from another country, they'll bring them here. And you guys are bringing cap and trade. However, you know that, in Europe, cap and trade did not work to clean the air.

I feel you should adopt the idea so the sports

leagues to bring the best and leave aside things that doesn't work and adopt or implement things that do work like, for example, the AB 32 because we know that does work. Okay. Thank you.

CHAIRPERSON NICHOLS: And is this Estela Ramirez?

MR. HERNANDEZ: My name is Marcello Hernandez. I come from (inaudible) California. This is what I would like to tell you. Just in my neighborhood where I live is 53, like ten people died of cancer, asthma. And I would just like to ask you to do something about it. Because I don't want any contamination killing people or even children. And this is what I would like to ask you. And I want you to please enforce this, because it's very sad to lose your families. And I really would like this to stop.

That's all I would like to tell you to come to tell you. Thank you.

CHAIRPERSON NICHOLS: I'm going to try to go back to the list that I have here and hope that we can stay in order and that people will speak in the order they signed up. Is this Ms. Ramirez?

MS. RAMIREZ: Yes. Good morning, Chairman Nichols and members of the Board. My name is Isella Ramirez. I'm the co-Executive Director of East Yards Communities working for environmental justice, a

community-based organization working to promote a healthy and safety environment in the communities of Commerce, East L.A., and Long Beach where communities are disproportionately impacted by the negative health impacts of industrial pollution.

So I usually address the Board to demand real rail yard emissions and health risk reductions. But today, I'm here to talk about greenhouse gases.

The state of California, as we all know, has always been a leader in environmental and health protective regulations. With the adoption of AB 32 in 2006, we took a revolutionary step. However, the probability of such an act to be successful dramatically increases with smart implementation and enforcement.

So today's staff recommendation to adopt the cap and trade system is not an adequate solution to greenhouse gas emissions.

First, cap and trade programs, as other speakers have already said, continually prove that they are unable to reduce greenhouse gases and to really enforce corporate responsibility. The atrocious BP oil spoil and the ever-depressing real estate market crash both remind us that industry and markets self regulation simply does not work. The European Union cap and trade program at Phase 2 has yet to meet any real reduction goals. So it doesn't

make sense for us to follow in their mistake.

Secondly, cap and trade systems do not consider the increased negative impacts on communities that neighbor toxic emitters. For instance, one of the things that cap and trade would do is to allow Industry X located in Town A to continue polluting Town A by paying Industry Y, which is located, say, 500 miles away from any town to reduce their emissions. And so in this scenario, the people of Town A -- in our reality, the people of Commerce, of Wilmington, of Richmond, do not see any real emission reductions. Instead, it's these people who are already overburdened that have to pay the real price of pollution allowances with their health and with their quality of life.

Today, both as a representative of East Yard Communities for Environmental Justice and as a life-long resident of Town A, or in my case, of Commerce, I urge that the Board direct staff to pursue a different alternative, like those listed on CBE's written comments that include industrial energy efficiency improvements, which alone would eradicate up to three million tons of greenhouse gases annually and would bring good union jobs at the local level.

Thank you for your time.

MR. MATA: Good morning. My name is David Mata.

I grew up in the city of Commerce. I also grew up in a street known as Cancer Alley. Once I moved there, I developed asthma. I've developed horrible allergies. My doctor basically told me to stop breathing because I'm allergic to the air.

I am here because I represent the silent majority of California, the people that can't come here, the people who can't take time out of their week during a Wednesday to attend these meetings, the people who can't come overnight in a bus with barely two hours of sleep to be here talking about these important issues.

We, as communities of color, already deal with an education gap, a wealth gap, an unemployment gap, an income gap, and now you want us to deal with now a climate gap.

There is no incentive to care for poor people, for youth, for people of color because we don't have political clout. You keep talking about the market which will fix everything. Your own staff says that we expect them to follow the rules and we all know that's not going to happen. I don't have the confidence that they do. The market is not self-corrective enough. That's why we have the EPA and the CARB.

We saw what happened with home mortgage crisis and our own Securities and Exchange Commission can't even

deal with that mess. We need to think about California and the future today. California needs to lead. This will have profound repercussions in the future. We need to do this now, right, fair from the beginning because we have the alternatives in front of us. There is no reason why we need to screw this up right now.

The research suggests that cap and trade will, at minimum, fail to achieve the full benefits and at maximum increase the climate gap I've been talking about.

We need to do something about this because we can't come here all the time. I can't come to these all the time. These people can't come here all the time. And there's really no other way to say I'm fed up with all this. I think we are all, too.

MR. CABRALES: Good morning, Chairman and members of the Board. My name is Robert Cabrales. I'm a community organizer with Communities for a Better Environment in Huntington Park. I work with a lot of residents from Huntington Park, South Gate, Bell, Maywood, and the surrounding communities in the southeast L.A. area.

We were here the last time we were looking at the Scoping Plan. And the same message we heard back then and the same results that we're expecting to have today is the adoption of cap and trade and ignoring the voices from the

communities. A lot of the residents that are here are from southern California and from other parts of the state.

We came here with the intention of persuading you to adopt an alternative to AB 32. AB 32 is a very important law and an historic law that the state of California has moved forward with the implementation of it is actually the one that we are very opposed to it, because we are sick and tired of living in communities that we have to breathe bad air.

We are hearing the plans from staff today as actual handouts to the polluters that are not doing anything to reduce their own pollution. When are we going to get handouts to breathe clean air in our communities? When are we going to get handouts to live in environments free of toxics?

That's one of the things we're really, really hoping that you can make a difference today. We all can say that we invite you to live in our communities for a week to see if you can hang, like we say, in our neighborhoods. If you can live and live like people live on an everyday basis. It's sad that people have to get used to breathing the kind of air that we do every day. And if you come to our toxic tour, I'm sure you'll have your left side of your body numb for at least a moment

because it sucks to be giving a toxic tour like I do all the time.

So I encourage you to actually adopt real alternatives, real solutions to AB 32, something that we've been pushing for for the last couple years since we were here. And we're going to continue to come here. It's not that easy for us to come on a bus a couple have like mentioned before me. It's tough. And we're not paid consultants. We're not paid lobbyists like some folks here are from the polluters and we're hoping that you make the real decisions for solutions to California's climate change initiative. Thank you very much.

CHAIRPERSON NICHOLS: Who's next here?

We've got Rodolfo Vallejo, and then I see we've added a couple names back on again.

MR. VALLEJO: Good day. I don't want to sound repeated because most of these members of the group, they've been saying what I was going to cover.

But (inaudible) to this Governing Board but to get together with the rest of the group members to bring (inaudible) to bring light to the proper authorities.

I highly recommend the Board, like Mr. Cabrales said, to pay a visit to these communities who get impacted by those toxic emissions, like I do my daily walks. I identify the odors. I identify the source of

contamination, because I go on my daily walks, not only in my community, but next door which is Vernon. It's probably the most contaminated city -- I don't know if it is the state of California or the United States. So please. Thank you.

MS. VERDUZCO: Hello, Chairman Nichols and Board. My name is Iris Verduzco. I live in the city of South Gate in the county of Los Angeles. And like many of the other people who have testified already before me, they speak of the struggles that we are facing in our communities. And my community, like many other neighboring communities, is in an area that's heavily polluted by toxic facilities.

And I'm a supporter of AB 32 because I believe we should aim to reduce greenhouse gas emissions. But I'm not in favor of the cap and trade clause because I do not believe it will bring reduction of greenhouse gases and co-pollutants in communities like mine. If it doesn't reduce pollution in communities like mine, it is not a real solution.

CHAIRPERSON NICHOLS: Carolina Cabrera.

MS. CABRERA: Good morning. My name is Carolina Cabrera.

I suppose I could bring up I have two younger siblings. One's 13, one's 11. I suppose I could bring up

the fear I feel every day when I see them at home and I see them taking a breath, because I know with every breath they breath, there's more possibility for them to get cancer, for them to get asthma, for them to get sick, just sick, and not knowing what happens like so many people I see. You go to the doctor. What's wrong with my child? They don't know. What's wrong with them? What I can do? Nothing. You can move away. No, you can't. You don't have the money for it. So what will you do? You stay there and you breathe this air. And you try to deal with it.

And then you have something like AB 32 come up and you say here's something that's going to happen. Here is a climate justice solution, and not for climate change, but justice. Because that way people that are low income, that way people that are minorities, they get the justice they deserve because nobody deserves to live in a bad community like that. Everybody deserves the right to live someplace where their breathing isn't a death sentence.

I can go into more detail over that, but I think the real problem here is cap and trade, it's a market system. It's a Band-Aide solution because what began this problem was the market. It was the market maximizing. It's not people maximizing. It's not health maximizing. It's profit maximizing. The government is supposed to be

for the people and then you bring a market system that is business. That is profit. That is industry. And you say this is going to help, but that was the problem. It's a Band-Aide thing. You use the problem to fix the solution, to be the solution. Why would you do that? That makes no sense.

You don't go on a test you go to school or something and you do the same thing wrong, wrong, wrong and then you get an A. That's not how that works.

There are different alternatives, we've. All brought them up, alternative energy. We've at brought up different subsidizing. We've all brought up fixing agriculture because these are all these different problems. Climate justice, climate change is caused by climate injustice, which is a mixture of different problems. And with cap and trade you're saying this one thing will fix it; that's wrong. Thank you.

CHAIRPERSON NICHOLS: Okay. I appreciate that you're all here and you're supporting each other, but let's try to finish and get everybody a chance to speak.

Alicia Rivera, Esteli Bowman, Maria Ramos.

MS. RIVERA: Good morning. My name is Alicia Rivera. I appreciate the few minutes that I have.

And I say that I'm a community organizer in Wilmington, California. And the reason why a lot of

Wilmington residents are here is because Communities for a Better Environment make it possible for them to -- we provide a bus. And we left at midnight. We haven't slept, but we wanted to be here today.

And cap and trade is a difficult and very technical issue to explain to people who have very little education. However, it's been very -- everybody gets it in the community of Wilmington when I explain that cap and trade -- among some of the things, Wilmington, with five refineries, a ton of pollution removal within cap and trade in the city of Wilmington with five refineries equals the same as removing a ton of pollution in an area where there is no people. And that is really rural. And that is very unfair. It is very hard to conceive how can such a program have those standards.

Also, cap and trade only look at greenhouse gases. When we look at the emissions coming out of the stacks -- smoke stacks from the refineries, I tell them do you see the greenhouse gases coming through these separated? Do you see the toxic coming you see separated? No, they all come together. So why are you only considering greenhouse gases and not the rest of the toxics that are the ones that causes asthma and causes so much cancer in the city of Wilmington and in some of the very polluted areas that have their fair share of

pollution.

So it's quite inconceivable that those standards be implemented on the cap and trade. It's not a fair system. It doesn't consider how it affects all these communities that have come here today to express their concern.

If the environmental organization that have made it possible for community members to come today, you would not hear from them. You would only hear from industry that are here continuing to support cap and trade. We do not support cap and trade, because it's not going to benefit anything of what is experienced now.

And we also do not understand how Mary Nichols can be so for cap and trade when we have provided all this information -- scientific information of how cap and trade has failed and why would it work here in California if it hasn't worked somewhere else. And if it has all these deficiencies of really considering the affects of what is not included in cap and trade, why do we want to continue with this system?

We really believe that we can work with you guys and that you guys -- really consider before continuing with cap and trade and spending all these resources, we hope that you guys really take a very good look at other programs that we have given you information on other

systems. We should want to know that you guys really study these other programs and that you convince us that those other programs would do the job and not cap and trade. And we really -- I do hope and I have a lot of faith that Mary Nichols, especially, we trust you and that, you know, things can be turned around. And that we really appreciate that you are giving us the opportunity to have these long lists of people. They want to express how what is life for them. And so thank you very much.

CHAIRPERSON NICHOLS: Thank you. We really do intend to listen to the whole group and respond after we hear the testimony, so I'm not going to respond other than to say thank you and we appreciate it.

Esteli Bowman.

MS. BOWMAN: Good morning. My name is Esteli Alicia Bowman Riveria. Alicia Riveria is my mom and is the community organizer in Wilmington. And my whole life I have been hearing about the work that she has been doing in Wilmington to reduce pollutants, toxins that are in the air all the time for years and years and still continue to come out.

And I'm here today because I, too, am very concerned about everyone's well being, everyone in these communities that are directly affected and the entire state, the entire country, the entire world, because every

emission, every pollutant has an impact worldwide.

And here it is very clear to me that there is a choice that can be made that can finally regulate these emissions and bring some kind of soundness to what, we as a state, are doing to take responsibility for pollution, for our future, for our health.

And so I'm here like everyone else to ask you to consider to really look at AB 32, because everyone is here for a very good reason. And everyone lives these experiences, and it is very important that you are here to listen. And we thank you very much for that.

And so please say no to cap and trade because clearly our bodies are saying no to it when people become sick, when people cannot breathe. That is insane. Our bodies are saying no. We are here saying no. And now in turn we would like you to say no to cap and trade and please say yes to AB 32. Thank you very much.

MS. RAMOS: Good morning. My name is Maria Ramos. I come from Wilmington, California.

I live close by to five refineries. The toxic emissions affect the health of all my family, especially like all my colleagues are saying, especially the children that are the most weak represented here.

That's why I work a lot against Proposition 23 to protect the law, AB 32, because that law will reduce gases

that affect health. But I don't agree with the method cap and trade, because it would not reduce the toxic that cause asthma, allergies, and even cancer.

And it is a sickness that if somebody has cancer is sentenced to death. And I can tell you that by my own experience. And I'm surrounded by people by all ages, youth, children, adults, that have cancer and they have a death sentence. Here is a daughter of a woman, she was given days of life. And somebody just died. And I am surrounding of lots of people that are dying of cancer.

That's what I am here, the resolutions that you are trying to impose to negotiate with contamination. I don't agree that can invest in other projects that are not in California that are produced the green gases on their own business in their own areas.

So please, I pledge you, think of our children that are the future of this country. I believe in these children that live in these poor neighborhoods, they do not have a future. You fight to move work and if you guys don't help us, we will not go nowhere. Thank you.

BOARD MEMBER BERG: We have Ms. Reyes, followed by Mr. Duarte.

MS. REYES: Hello. My name is Griselda Reyes. I live in Harbor City, California. And I'm here in support of AB 32.

But my concern is for my children. We live in what is already a heavily polluted area. And I'm concerned that cap and trade is not going to -- actually, I think cap and trade is going to bring or allow more pollution to what is an already heavily polluted area. And I would just like to request that you guys consider other alternatives that are more effective to the people like myself and my children that live there and breathe that air. So that's my request for you.

BOARD MEMBER BERG: Thank you very much.

Mr. Duarte.

MR. DUARTE: Hi. My name is Robert Duarte. I live in Harbor City, California. And me and my brother have a few brief words for you and the Board and everyone else that came here for this Board, AB 32. Because they think that me and my brother and everyone else who came here, cap and trade is not working for any of us. People who are sick. People that don't -- I think need -- I'm trying to find the words here.

BOARD MEMBER BERG: You're doing a very good job. Thank your time.

MR. DUARTE: I think that you should really consider AB 32 and not cap and trade, because it's -- cap and trade is not working for any of the people who came here. They just don't like it.

BOARD MEMBER BERG: Thank you, Robert. What's your brother's name?

MR. DUARTE: Hi. My name is Angel Duarte. I live in Harbor City, California. And I support AB 32 because from my bedroom window I can see refineries and I'm worried that if pollution might get worse and changes aren't made it will -- cap and trade isn't helping. Thank you.

BOARD MEMBER BERG: Thank you.

Esther.

MS. PARHEES: Good morning. I'm here to ask you to please stop the cap and trade system that is proposed by the Air Resources Board that have been chosen to curb the greenhouse gases.

All of us in our communities are choking with carbon dioxide and our children can't breathe. Some of them, including my grandson, suffers from asthma.

We're surrounded by all the oil refineries in the L.A. harbor. The refineries burn off their gas at night. And in the morning when we get up, we can't even breathe. We would like to be able to get up and breathe fresh air. But for us that's impossible.

And between the refineries and all the trucks in our area in the dock, we are being surrounded by the worst quality of air in California. There has to be a better

way to reduce and control all the gases in our area. We cannot afford to have a system where corporations can buy and sell their credits among themselves. We need to implement AB 32 and help them to reduce the people that are emitting all the bad air and make them accountable for their emission levels.

We do not agree with and we do not want cap and trade system. We have come here from Wilmington because of our concern, and we hope that you have heard our voices. Thank you.

BOARD MEMBER BERG: Thank you.

Dorian Tippit.

MS. TIPPET: Thank you for the work you do.

Can you hear me? I have trouble with my voice. I lost my voice while I was teaching at Wilmington Park Elementary School because of the pollution, which is the reason I'm here.

Our social justice group at Pacific Unitarian Church worked for the passage of AB 32. But we are very concerned about cap and trade. It could bring, as you heard before, more pollution to already heavily polluted hot spots like Wilmington and many other cities.

Cap and trade does not complement existing air standards and does not ensure a lack of interference with efforts to achieve and maintain national and California

air quality attainment standards.

The program fails to reduce toxic air contaminants, leakage problems which you have mentioned. But leakage of California's jobs, money, and air quality benefits to other jurisdictions will cause California businesses to choose to engage reduction projects outside of the state of California. We do not want jobs leaving California.

In a recent Columbia University study, cap and trade showed that every pollution trading program suffers from the issue of over-allocations, which has happened in Europe, which I'm sure you know with the EU program. The Columbia University study also found that cap and trade fails to promote innovation, which is crucial to the program. You have to be resilient. You have to be flexible.

And it's also shown in the EU cap and trade program widespread fraud and pollution tradings up to the present time.

I appreciate the work you do. And thank you for letting me voice my concerns.

BOARD MEMBER BERG: Thank you very much.

Next is David Gonzalez.

MR. GONZALEZ: Hello. I represent the Wilmington area. I grew up there most of my life I'm very concerned

about the health and well being of the people there.

My own son and daughter, they acquired asthma. And they outgrew it and they got better when they moved away.

And I'm just very concerned about the area that's highly toxicated and highly polluted. I'm for AB 32 and against cap and trade. And I feel that it needs to be improved. And we're hoping it gets better. Thank you.

BOARD MEMBER BERG: Thank you, Mr. Gonzalez.

Next is Maria Desera. Maria.

How about Natalia Marquise?

MS. DESERA: Good morning. My name is Maria Desera. I come from the city of Wilmington, California. I come to represent all the ones that could not come.

It's more than 30 years I live in Wilmington. I retire living in the middle of so many refineries that they contaminate so much. There's lots of sick people in Wilmington.

I have three grandchildren that have asthma. We had to take them to the doctors to have machines run on them. And I've come to please ask you that the method that you want to implement does not help us at all to take away the contamination to clean the environment. So please don't do it. Think of the innocence that are losing their lives. That's all. Thank you very much.

BOARD MEMBER BERG: Thank you.

Next, is Natalie available?

And then we'll hear from Shirley Bodi.

MS. BODI: Good morning. My name is Shirley Bodi. And I'm from north Richmond in California.

I want to first start off by saying that I grew up in Massachusetts and was raised in Connecticut. And I had never been sick a day in my life. I moved to California. Now I have asthma.

My son was born with asthma. He's actually allergic to dirt, dust, grass, cats and dogs. That's a lot. This kid should have the opportunity to live and grow and prosper, as you have. Many of these people that are here have that right to do so.

You should look at cap and trade. If you're going to cap something and allow it to be traded over here and let these other people become sicker. You need to look at what you are doing and follow actually what God's rules are. Clean the environment up. You're letting businesses get richer and the poor get poorer. And that's not how it's supposed to be. Thank you.

BOARD MEMBER BERG: Thank you.

Fernando Solis.

MR. SOLIS: Good morning. My name is Fernando Solis. I came from Bell, California. I'm a volunteer

with CBE.

I'm in favor of AB 32. But cap and trade is no good for environment. Cap and trade was no good in Europe. Cap and trade makes some dishonest people in rich in Europe. Cap and trade is no good for California and for world. All the communities in southern California opposed to cap and trade. Thank you very much for listen to us.

BOARD MEMBER BERG: Thank you for coming.

And then I think next on our list is Ana.

MS. OROZCO: My name is Ana Orozco with Communities for a Better Environment. I'm a Richmond community organizer.

Richmond is home to the largest oil refinery on the west coast. It's also home to the largest greenhouse gas emitter in the state of California.

If cap and trade is going to be implemented as a way to reduce greenhouse gas emissions, clearly, it's not going to work. It failed in Europe. Not only is it not going to work, but it will increase greenhouse gas emissions in places like Richmond. And one of our community members who just spoke, Shirley, just explained the health impacts of increased pollution.

So please do not use cap and trade as a way to reduce greenhouse gas emissions. It's a false solution.

And stand up for real solutions to global warming, not profit-driven false solutions like cap and trade. Thank you.

BOARD MEMBER BERG: Thank you.

Carol Jones. Is Carol available to speak?

MS. JONES: Hello to everyone. Hello to the Board. My name is Carol Jones. I'm a senior resident of Richmond, California. And I've seen a lot of environment, you might say. Okay.

So I support AB 32 when I first heard about it and saw it. You know how they show on TV different political things that are going on. I was very impressed and felt very good about it because I thought I knew what it was all about.

But I've learned more since then. And I don't support cap and trade. And for my understanding and what I've learned about it, I don't think cap and trade is a solution for and support the accomplishments and the goal of reducing greenhouse gas emissions.

Cap and trade will actually allow for more pollution in our communities that are already heavily burdened with pollution by industrial pollution, agriculture, and I ask that the affected communities are almost all predominantly low income communities of color.

I ask that you, the Board, stand for a healthy

California by opposing cap and trade. The word "trade" means to our communities and sends to our communities that this is another marketing concept. And we need solutions, very healthy solutions.

California needs real solutions for global warming, not for profit. Driven false solutions such as cap and trade. Cap, cool. Okay. Trade, we are very concerned about it.

And we thank you for allowing us to come and speak to you. And we appreciate you for your time and your energy and your thoughts on this AB 32. And we ask for you to continue to support us, the communities. Thank you.

BOARD MEMBER BERG: Thank you.

Margaret Jordan.

MS. JORDAN: Good morning. I'm Margaret Jordan from Richmond. I'm a member of Communities of a Better Environment and also of the Richmond Progressive Alliance.

The only way, as we all know, that to guarantee that carbon emissions will not hasten global warming is to have dramatic cuts in the current level of emissions. Cap and trade has been shown, as people have said over and over this morning, to be an ineffective means of reducing emissions, particularly in communities of color surrounding the industrial emitters.

The reality is, as you've heard before, that four or five years out cap and trade is not working in Europe and emissions are increasing. It's almost ludicrous to me that you are putting this forth as your solution to the problems in California.

We got into this mess as a result of two things. One was a lack of understanding of the damage we were causing. And the second is because most processes which produced pollution were highly profitable. We cannot get out of it by making polluting assets even more profitable, as cap and trade does.

I want to speak to one aspect of the alternatives put forward in the CBE plan. I'm here to support cap and tax, or as you call it, a carbon tax as part of a broader way of implementing effective ways of decreasing emissions.

I'm here to support cap and tax as a more reasonable approach, which incentivizes decrease of emission by taxing all environmental emissions. Rather than creating a system that innately allows for private primarily corporate profits by selling polluting rights, as does cap and trade, something that I find innately morally reprehensible, cap and tax provides a secondary benefit. In addition to incentivizing decreasing emissions, it can provide profits directly to the people

of California, money that can be used can be spent for public welfare, on research, on ways to reverse climate change, on research on energy efficient public transportation, and building the same, on health care for all of those folks who have asthma and other health-related problems as a result of climate -- of emissions but can afford health care, for education, for our education system, which is currently being strangled financially and a multitude of other programs that can directly benefit the citizens of California.

The current process is one that is going to benefit multi-national corporations like Chevron that we know well in Richmond that is an entity that made billions of dollars last quarter and at the same time is trying to take $60 million back in property taxes, which will come directly from the schools in our area. We say cap and tax, it's the citizens' turn, not cap and trade.

CHAIRPERSON NICHOLS: We're down to the last four names on the list. When we finish with those, we will take a brief break, about ten minutes, and then re-group and come back to the rest of the list.

I do want to encourage those of you who are able to stay, to stay, because I think that you will find it interesting at the end of all of the public testimony after we've heard from everyone who's here. I believe the

Board is going to engage in a very spirited and robust discussion about the alternatives that are in the staff's document. And I think that you'll find it interesting. So thank you.

Okay. So Marie Harrison and then Melissa Cerfantes and then Reverend Kenneth Davis and Jessica Tovar. And Jessica will be the last witness from this group.

MS. HARRISON: Good afternoon. Marie Harrison with Green Action for Health and Environmental Justice.

I'm here this morning -- or should I say close to this afternoon -- to tell you that I sit back there and I listen and actually had this prepared statement for you, but I realize that where I only came from Bay View Hunters Point, which is not even half of the distance that many of my brothers and sisters traveled to get here that it would be shameful for me to stand up here and tell you how severely my community is suffering and how cap and trade in so many instances would destroy it, when you have so many folks who come so far and have given up so very much. And they're pouring their hearts out to you because, after all, you are who we rely on to take care of our well being. Okay. That's your job. That's your charge.

So I'm simply going to ask you to do your job. Remind yourself of what your charge is, and that's to

assure us that even the lowly of us, the poor little Black folks and the poor little Mexicans and Latinos and Asians and Samoans and Pacific Islanders, we have all these different names. There are a lot of us out here. And we are relying upon you to do the job.

It is not by chance that communities such as Bay View Hunters Point, Richmond, Kettleman City -- how far back do you want me to go? I work in all these communities. It's not my happenstance that these communities are communities that are suffering. And it is not by happenstance these happen to be amongst the poorest of the poor.

In Bay View Hunters Point, we have the highest -- you name it, we have it. We have the highest asthma rate. We have the highest unemployment. We have the highest breast cancer, bronchial, asthma. You name it, we have it. We are relying upon you to do what you were put here for, and that is to protect us.

So as a mother, as a grandmother, and not just as a representative of Green Action -- because we do put the action in that word. We are not afraid. We are not shy. I've never been accused of being one of those grandmothers that stepped to the side. Okay.

So knowing that, keeping that in mind, I trust that as vigorous as I feel about this issue, you, too,

will feel that vigorous and you will do the right thing. You will do the right thing, because it's right, not only for you, but it is definitely right for us.

With that, I thank you so very much. I leave you with do your job. Thank you.

CHAIRPERSON NICHOLS: Melissa Cervantes. Are you speaking? Kenneth Davis.

MS. CERVANTES: My name is Melissa Cervantes. I'm from Wilmington. I live in the area where I'm surrounded by five refineries. Not only is it affecting me, but I've seen people that -- I have neighbors that have died of cancer. I still know people that are living today with cancer.

Not only that, the reason I'm crying, because my mom has cancer. And she strongly believes that it's the pollution because she has -- not two years ago she has had a cancer and the doctors couldn't really find a reason why she was getting sick. They didn't find that she some cancer until it became a tumor of 13 inches. Little over size of a football. They couldn't find anything wrong with her until she had that tumor and it was killing her.

So once they found that tumor, they were able to actually catch it because her life was 50/50 chance on her surgery. And thank God, she came out alive.

But now she got it back. A year later, the

cancer had returned. And now there is nothing else they with do for her. Right now she couldn't be here because right now she's at her doctor's appointment getting treatment for cancer. And that's why I'm here to speak for her, because she can't be out in the sun. She can't do a lot of things. She can't eat dairy, because of the cancer.

So I ask you guys to really think about what you guys -- the choices you guys make, because it's affecting not only us, but the people we love and our children.

I don't know what I will do if my mom were to come to pass away. The doctor had told us we had months to be with her. Not years; months. We don't know. The cancer has already spread through her blood and her bones. It hasn't gone to her brain yet. I don't know if that's ever going to happen. I pray to God every day that he cures her. The only thing that's keeping her alive is her faith in God.

So I ask you guys, please, do the right thing. We rely on you. You guys are the ones who have the choice. Either you make us or you break us. And I can't see anybody that I love or I know pass away. Thank you.

CHAIRPERSON NICHOLS: Thank you.

Kenneth Davis.

MR. DAVIS: Good morning. Good afternoon.

As Caesar was killed, Brutus stood before the Senate and proclaimed, "I came not to praise Caesar, but to bury him."

Many of the people in this room have no idea of the political climate or how to get things done. But I represent an area in the wonderful city of Richmond, California. We have the best air, has been told. But I'm here to disclaim that lie. We have the best weather, but not the best air.

I look out of my window continuously every day and I see Chevron refinery. I breathe that filth. I came not begging you to be nice to me. You get paid to do a job. You're the ones that have the lobbyists that you can deal with. My people don't have that kind of money.

Let's think about this it. What you're dealing with is environmental racism. I challenge all of you with environmental racism.

Think about what I have to do on a daily basis when I get in my car. I can't drive my car down the street without paying a fee to have my car checked for smog. Yet, you got people that sit up and they pollute and kill all of us.

I'm a gospel minister. I want you all to know this. While Chevron and other people go to the bank, talk about making their three-and-a-half billion, $23 billion

last year, you go to the bank and off-shore banks and they make money and they come and see you with gifts. While they deal with that -- while they poison the air, poison the earth, and poison the water, my people -- I have to see my people laying in boxes down in front of me. I have to go and visit people in the hospitals, while you sit up and talk about being nice.

You're not nice to me when you allow things to happen. I should not have to be here right now. I have no business here. My people are dying.

And so I challenge you, as I stand here before you representing Richmond Progressive Alliance, representing Communities for a Better Environment, Bay Area Coalition of Concerned Citizens, I charge you with environmental racism. If you don't do anything about it, we're going to keep marching. We're going to keep walking. We may have to be out here next year while you sit around and be nice. You're not nice to me. Any time you let these crooks poison my people, you're not nice at all. You're a bunch of crooks and hypocrites.

CHAIRPERSON NICHOLS: Jessica Tovar. Try to follow that.

MS. TOVAR: Running down the aisle, I wish I was being called for the Price is Right. But unfortunately, I'm here to talk about the losses of my community.

I'm originally from east Los Angeles. Went to Roosevelt High School. Lived in Pomona. Went to school in Pomona. Lived in San Bernardino. I live in San Francisco. I work in Richmond. I worked in different small communities throughout the San Joaquin Valley. So I know all about the air pollution, all about the contaminated water in the state of California. I probably have more experience to make the decision and hold your seat today and best represent these people. Because I've been in all these communities.

And it's only just been weeks ago my doctor actually diagnosed me with occupational asthma and has asked me to stop giving toxic tours, because every time I do so, I become ill. And that, my friends, think about adult onset asthma. Some children are born with asthma. Some people develop it over time. What do you think causes the development of asthma? Okay.

On top of that, my mother is a breast cancer survivor fortunately. But she has lived the last ten years of her life with only one breast. Okay. So think about the shame in that. Being a woman every day with only one breast. Okay.

I want everybody who's left in the room the stand up. Everybody. All you all. You all who came from far away to talk to these people. Okay.

Who here has asthma or has a family member with asthma?

Who here in the room has family members with cancer?

Who here knows people who have died from cancer?

Who's gone through that process?

Right. Think about -- think about for those of you who are a little bit older than some of us in the room, okay, do you remember cancer and asthma so prevalent in our communities? I talked to my grandma about it. My mom is the first person in our family to develop cancer. We had no cancer prior to that. Okay.

I tell the young folks, you know, very recently in my lifetime, there was no such thing as bottled water. And now we have air being sold to us in a can. Okay.

Think about what you're doing to the environment. Think what you're doing to our communities.

Some of you all raised your hand. You probably live in an affluent community. It's coming to a community near you, okay. The pollution does not see racial lines. Maybe you do. Maybe you see that we're poor. Maybe you see we're dark. Maybe you see that we don't speak oftentimes English and understand it.

But I'll tell you this much. There is a lot of people in this room not formally educated, but they get

that quickly. They know that cap and trade is not a solution in our community. Okay.

We've set forth the technical, the science, to tell you what needs to happen. We need to clean up the ports. We need to clean up these dirty refineries who are probably the ones -- corporations who are benefiting the most from cap and trade. Okay. The logging companies, right? The palm oil companies. There is a lot of corporations that are benefiting from this. It is the same story. Okay.

When we talk about labor issues, when we talk about all these injustice, it is the same people that are benefiting. And it is the same people who are losing. We're not going to sit here and lose. Okay.

What do we want?

Justice.

When do we want it?

Now.

What do we want?

Justice.

When do we want it?

Now.

What's the solution?

No more pollution.

What's the solution?

No more pollution.

And we'll be here for the rest of the day to let people outside of here know that's what we're here for and that's why some of us have not had sleep or had to wake up earlier than usual, right, to be here to represent probably ten, hundreds, maybe even thousands of people who could not be here today. Thank you.

CHAIRPERSON NICHOLS: All right. With that, it's 12:00. We'll be back in the room again to resume the hearing at 12:15.

(Whereupon a recess was taken.)

CHAIRPERSON NICHOLS: We're ready to get started again. Board members will be filtering in and out. They're back in the back room where they can hear all the proceedings. They're grabbing a bite, since they don't get a chance to go out during the course of the day.

I'm going to resume the hearing at this point. I'm going to call on Tom Franz.

MR. FRANZ: This is real encouraging to not seeing anyone up there.

CHAIRPERSON NICHOLS: We're doing our best. I've just been joined by another Board member, and the others are listening.

MR. FRANZ: My name is Tom Franz from Kern County. I'm head of the Association of Irritated

Residents. I'm an almond farmer, retired school teacher. I've lived in Kern County 60 years. I know all about it and the pollution issues as well and part of the lawsuit that's making you rethink this whole cap and trade thing.

The adverse impacts of cap and trade are real and present right now. So please come down for a little tour and I can just show you all this stuff where people are already gaming the system because they can see what's coming down. It's not -- we're not saying it's going to make our air worse in the future. Cap and trade is making our air worse right now as I speak in the southern end of the San Joaquin Valley.

Biomass incinerators are increasing dramatically. The only place they get the biomass from are the major urban parts of the state. The ag biomass is extremely limited. There's over two million tons a year currently being imported in the San Joaquin Valley for biomass incinerators, and they're looking for more because they know when they make steam from biomass for steam injection enhanced oil recovery, they can get some kind of carbon credit in the future. It's ridiculous.

And we're becoming the proven ground in the oil fields now for -- they want import coal and petroleum coke into our valley and make dirty polluting energy out of it, it will pollute our air, but they will capture some of the

CO2 and inject it into the ground for enhanced oil recovery, burning up more fossil fuel. They expect and I'm sure they'll get some kind of carbon credit for that under this cap and trade.

We have the factory dairies which are easily the most unsustainable and fossil fuel intensive type of agriculture on the face of this earth. And you want to pay them to put in with credits methane digesters, to put a Band-Aide on what is really a festering sore, and a huge amount, three percent at least, of the greenhouse gas emissions here in the state. They should be forced to do that. They should change their ways, really, if we are going to get rid of fossil fuel based emissions.

And do you really think that burning methane from these digesters at diaries will not increase our air pollution locally? And do you really think that burning biomass trucked to the valley from L.A. to make stream for enhanced oil recovery will not increase our air pollution?

And the response to my comments that stated all this already was, new source review and the Clean Air Act will take care of all these new sources of pollution. That system has been gamed for years in the San Joaquin Valley with our corrupt Air District. They have emission reduction credits up in Stockton through inter-pollutant trading for projects down in Kern County 150 to 200 miles

away. New projects increase our air pollution significantly.

So please do not do this trading process now. You can't -- and if it's stated you want to give credit to farmers, like myself, who use more nitrogen who eliminate fossil fuel nitrogen. We can get that from biomass and manure, but not if the burned energy and manure is burned up, adding CO2 to the air. And not if the biomass is burned up, adding CO2 to the air. So you can't incentivize that and also incentivize us decreasing our nitrogen-based fertilizer use. It's just a huge contradiction. Doesn't make any sense.

Please re-think this whole idiotic thing.

CHAIRPERSON NICHOLS: Okay. Reede Stockton.

MR. STOCKTON: Hello, Madam Chair, members of the Board. Thanks very much for this opportunity to address you today.

I have prepared remarks, but I think I'm going to abandon them. I have a feeling I'll do better if I just talk to you a little bit.

We submitted written comments in the form of a letter that was signed by over 40 nonprofit groups. We ask that you consider doing a couple of things. One of the things that we wanted you to consider was holding hearings on cap and trade in heavily impacted communities

around the state. What happened this morning was a sampling I suspect of what you would hear if you went out and around the state. I think it might be useful to actually get some perspective from those communities. So we're still urging that you do that.

The other thing that we ask you to do is rethink the assumptions that underlie a cap and trade system. Those assumptions are essentially -- the key assumption is that all GHG emissions are essentially equivalent whatever they occur. And we don't think that that's true. And we don't think that that's true for a couple of reasons.

First of all, there is a relatively recent evidence that local CO2 emissions actually have a mortality effect. So we think there's actually evidence -- and it's detailed in the written documentation we gave you -- that it does matter where emissions occur.

The other thing the other way in which it matters, if you were from outer space and you looked at what we were doing right now and you kind of step back for a second and you said, wow, look at these folks. They've got a problem where they have heavily impacted communities that are just sucking up the toxic air contaminants and you have this process going on where they're trying to reduce greenhouse gas emissions, and those greenhouse gas emissions are bundled with those toxic air contaminants.

Wow, they've got an opportunity to take care of both problems at the same time if they target and prioritize reducing those emissions in those impacted communities.

When you lock at it from the God's eye view perspective, it's a no-brainer that we need to prioritize reductions in those heavily impacted communities.

So what I would really urge you to do is rethink the cap and trade recommendation based on that God's eye view. Take a moment this afternoon before you deliver that exciting discussion you promised us, and I'll be here for that. I'm looking forward to it. Just take a moment to step back and think about the opportunity you really have right now to do something dramatic to reduce the impacts of those communities that are heavily impacted.

The other -- I think I'm out of time. There's not going to be another item. Thank you.

CHAIRPERSON NICHOLS: Thank you for your very thoughtful presentation.

Rachel Medema.

MS. MEDEMA: It's Medema. I'm Rachel Medema. I work with California Interfaith Power and Light. We have faith communities around the state working on climate change, working to respond to climate change.

Faith communities and disadvantaged communities throughout California worked very hard to defeat Prop. 23

last November, because we believe that AB 32 held the promise to improve public health and the California economy for everyone, including low income and vulnerable people. But this will only happen if the regulations are well designed, strictly enforced, and transparent.

We support the Scoping Plan, but we also realize that while offsets may be beneficial -- a beneficial way to add flexibility to the system, we urge ARB to design the program so that offset credits are limited, closely monitored, and result in real, verifiable additional reductions in GHG emissions.

We also call on CARB to provide clear language supporting adaptive management, especially as it relates to public health in disadvantaged communities.

We urge the ARB to make sure that the Global Warming Solutions Act of 2006 is implemented effectively and equitably for all people of California. Please reduce free allowances and substantially limit offsets.

Thank you to the Board and the staff for all of your work on AB 32.

CHAIRPERSON NICHOLS: Betsy Reifsnider.

MS. REIFSNIDER: Thank you. My name is Betsy Reifsnider representing Catholic Charities in the Stockton Doicese.

We are here to speak in support of the Scoping

Plan and for implementation measures that result in real, measurable, and verifiable reductions in the greenhouse gas emissions.

I should let you know that the U.S. Conference of Catholic Bishops has not taken a position on cap and trade, per se. However, they have stated that "policies addressing climate change should enhance rather than diminish the economic situation of people in poverty and policies should help vulnerable populations adapt to climate impacts and to participate actively in those efforts."

So with that in mind, Catholic Charities and the Stockton Diocese urges the Board to make a very clear statement on the importance of developing an adaptive management program in implementing AB 32 in regards to offsets.

We agree with the Interfaith Power and Light and Union of Concerned Scientists and others who have submitted comments that because the Air Resources Board is allowing a large number of offsets, those offsets must be additional, verifiable, transparent to the public and very closely monitored.

And then in conclusion, I would just like to thank the Board and all the staff for all your hard work over all these years in this monumental effort. Thank

you.

CHAIRPERSON NICHOLS: Thank you.

Could you -- before you go, I know we have a written comment from you. But I would like a copy of the statement that you read, if you would be able to give it to the Clerk.

MS. REIFSNIDER: I would be happy to.

CHAIRPERSON NICHOLS: Okay. Bowman Cutter.

MR. CUTTER: Hello. Thank you. My name is Bow Cutter. I'm from Pomona College.

And I, along with my co-author Reede Enyan, Cara Horowitz, and Ann Carlson from the UCLA law school took an in-depth look at the cap and trade element of our program. Our idea is to look and see if the market rules were set up to ensure a fair cost effective market that was not vulnerable to manipulation or gaming and also to make sure that the enforcement rules would make everybody play by the rules of the game.

A couple caveats. What we did not do was compare cap and trade to other possible programs. We were looking at cap and trade to work well. The second thing we did not look at offset qualities specifically. That's a book of its own.

So our methodology was to look at other emissions trading programs and see if ARB had taken the best

elements from those programs and avoided the problems that have been seen earlier. So when we were looking at those different programs, we saw that there was two categories or two check boxes that needed to be filled for allowance trading to work well.

One is transparency, that everybody in the market can see what the prices are, they can see what the volumes are. Everybody has equal access to that information.

Second is liquidity, there's enough buyers and sellers and volume in the market so that anybody can go to the market and buy allowances, sell allowances and be sure that they are able to do that and that no one or two large players would manipulate that market.

So we looked and saw what ARB had done to ensure those two big requirements.

On transparency, they've adopted the best practices from other programs. They have solid transaction reporting requirements on price and volume. On emissions, they have very good emissions reporting requirements. And also the periodic and auctions should provide good public information on prices.

Second, on liquidity, they've also adopted a lot of the good practices from other programs as well. The banking, allowing -- saving allowances for a rainy day, the price reserve, to inject allowances if prices become

high, multi-year compliance periods, all those should guarantee that you have a lot of buyers and sellers. And so the market achieves good cost effective reductions.

So we think the program is quite well designed and we're comfortable going forward with it as the regulations are going to be written. We think that will work out well.

But, of course, we have a couple of recommendations on the market side and then my co-author Cara, is going to follow with recommendations on the enforcement side.

So our first is that we really like the provision that requires the investor-owned utilities to place their allowances at auction and receive the proceeds. We like it so much we think you should do it with the public-owned utilities as well. That will get all of the big players in the market, guarantee volume, liquidity, and get all the big players looking at early emissions reductions.

Second, for more transparency, we think you should publish periodic price forecasts so everybody can have that information ahead of time. Thank you very much.

CHAIRPERSON NICHOLS: Thank you. Appreciate it.

Cara, you come next and fill in the rest, I hope.

MS. HOROWITZ: Thanks very much. Thanks for the opportunity to talk today.

I'm Cara Horowitz. I'm the Executive Director of the Emmett Center on Climate Change and the Environment at UCLA Law School and one of Bow's co-authors on the study.

As Bow testified, our study looked at the potential for gaming and market manipulation in the proposed cap and trade market.

We asked this: If California goes forward with the cap and trade forward as it's been proposed, how well has CARB designed the program to avoid gaming and market implementation?

At the law school, our role was really to look at whether you would be able to enforce your program rules against those who might engage in fowl play.

I should mention, you each have a copy in front of you of the study and we submitted for further review.

In short, on the ability to detect fowl play to enforce its rule and to impose adequate penalties to deter non-compliance, our central conclusion was that CARB had designed a strong system of monitoring enforcement that would allow CARB to take necessary enforcement actions and generally to hold cheaters accountable.

Humans are imperfect, and we recognize that and we recognize that no system is fool proof. But in our view, CARB has learned really important lessons from past program and incorporated those lessons into its design.

We did find, as Bow mentioned, a few areas where in our view the proposed rules could be improved and we lay those out in the report. A couple I'll just flag here.

We suggest that CARB clarify its definition of resource shuffling, which as you guys know is a key anti-gaming provision, but one that we fear may be drafted too broadly.

We'd like to see CARB strengthen penalties for under-reporting of emissions, as we believe the current penalty structure is too lenient and could fail to discourage under reporting.

Our recommendations, I want to stress, are aimed at strengthening what is already in our view a well designed program and minimizing even further the risk that CARB has already addressed. And none of our recommendations is so critical that we think it need delay CARB's adoption of the program if that's where you are headed. Though our preference would be for some of the more important of our recommendation to be addressed before program finalization and the remainder I imagine during program roll out in the first year phase.

We're happy to be of assistance going forward. And I thank you for your time and attention. And I commend staff for its work.

CHAIRPERSON NICHOLS: Thank you very much. Thanks for your focus on this really critical issue to program design. I think it's fair to say that if we do move ahead with the program, we're going to need to get this issue nailed down sooner rather than later, because it's really critical to acceptance on all sides of whether there should be any kind of a market program. Thanks.

Ken Koyama from CAPCOA.

MR. KOYAMA: Good afternoon. I'm Ken Koyama, Executive Director of the California Air Pollution Control Officers Association. And for the record, CAPCOA represents the Air Pollution Control Officers from each of the 35 air districts in California dedicated to protecting the public heath and providing clean air for the state.

We continue to support the goals and implementation of AB 32 and recognize the tremendous work done by ARB staff and Board members on this important program.

We believe strongly that local districts can be an important partner in achieving these goals. Relative to adaptive management under cap and trade, CAPCOA looks forward to meeting with your staff to discuss the possibility of working together on this important component of the program. And CAPCOA's Climate Protection Committee stands ready the provide suggestions, comments,

and recommendations in this area.

In addition, we look forward to the collaboration and to extending it into other areas of program implementation. Thank you very much.

CHAIRPERSON NICHOLS: Thank you. That was very brief and very to the point. We agree with you, by the way. The districts are the primary regulators of the sources that are subject to a cap and trade program. So if there is one, they have to be at the center of looking at how things are going. Okay.

Shankar Prasad of the Coalition for Clean Air.

MR. PRASAD: Thank you, Chairman Nichols.

Chairman Nichols, I can fully empathize with your back problem.

And Chairman Nichols and members of the Board, I'm Shankar Prasad from the Coalition for Clean Air.

We recognize and concur that pricing carbon in one form or the other is critical to reducing emissions. Should you chose the path of cap and trade, reaching the target of auctioning 100 percent of allowances as soon as possible is critical to the success of the program and also to meet the 2050 goals.

However, this Scoping Plan continues to be silent on this issue, and we suggest that the Board direct the staff to evaluate and come up with some specific

recommendations of the ramp up scheme auctioning as the implementation moves forward.

We also concur and support the views of the Union of Concerned Scientists on the offsets. And we all need to accept the fact that low income and minority communities actually bear the brunt of what climate change and air pollution impacts.

We are thankful for the resolution that you took supporting the concept of the community benefits fund. Chairman Nichols, here is an opportunity to make it a reality. We urge you to take support position. And thank you.

CHAIRPERSON NICHOLS: Thank you.

Bonnie Holmes-Gen.

MS. HOLMES-GEN: Good afternoon, Chairman Nichols and members. Bonnie Holmes-Gen with the American Lung Association of California.

And we are pleased to be here today in support of the Scoping Plan and we appreciate all the hard work of you and your staff over the years on this. We believe the Scoping Plan is a solid framework for meeting the goals of AB 32. And we believe that moving forward with the Scoping Plan is critical to meeting California's AB 32 goals to improving air quality and public health. We recognize there is improvements needed along the way. But

if we can't control global warming pollution, as you know, we will have worse ozone pollution and more suffering from air pollution related illnesses and deaths.

We are pleased with a large commitment of the Scoping Plan to regulatory measures, and we believe it's really important to note that more than 80 percent of the emission reductions in the plan are from regulatory measures. And we are pleased with the steady pace that the Board has shown in adopting and implementing these measures.

The American Lung Association's key goals in this effort have been to maximize public health benefits in the AB 32 program to build in measures to protect impacted communities. And we are extremely concerned about the current public health burden of air pollution. And that's why we're supporting this AB 32 Scoping Plan framework.

To that end, we want you to know we are pleased with the Board's decision to accelerate adoption of GHG reduction requirements in the industrial sector through these regulations coming up next year. And we continue to support the adoption of a community benefits fund to ensure investments in disadvantaged communities.

We do strongly support putting a declining cap and price on carbon is a key element of our state strategy. And for this reason, we support cap and trade

as one element of the Scoping Plan.

We appreciate the Air Board has done a lot of work to evaluate problems with other programs and to try to ensure that we can correct those problems. At the same time, we're asking for revisions to strengthen the cap and trade program. And we signed onto the joint letter from other environmental health groups that you've noted today in previous testimony. We would like to see a reduction in the number of offsets. We would like to see you build in more protections to further strengthen the offset program and ensure the integrity of offsets. We want to, of course, make sure that all offsets are real and additional and that we have effective provisions for oversight of emission verification bodies. And we'd like to see these aspects -- strengthening amendments in the regulation.

And we'd like to see and we believe you have committed to a strong adaptive management program. But we need to flush out the details. We look forward to working with you on that. It's critical as we move forward to ensure that we have a strong program to protect against any unintended consequences, to evaluate ongoing impacts in local communities, to evaluate if there are adverse impacts to public health and the environment that need to be corrected. And this program needs to include a clear

list of mitigation strategies that will be followed. If there are adverse impacts, we'll work with you on that.

In summary, we support the continued progress to move forward on the Scoping Plan. We look forward to working with you. And we appreciate all your work hard and commitment to reducing global warming and making California a leader in this effort.

CHAIRPERSON NICHOLS: Next is Michael Turnipseed.

MR. TURNIPSEED: Madam Chairman and members of the Board, I'm Michael Turnipseed, Executive Director of the Kern County Taxpayers' Association.

We'll be talking about a little different note today.

Kern County respectfully requests that CARB extend the allowances for new cogeneration facilities meeting the efficiency criteria of AB 1613. This will allow new facilities to make and submit substantial financial commitments to design and build new state-of-the-art electricity generation units with heat rates that are substantially lower than the current system average heat rate for fossil-fired dispatch.

CARB staff has shown great wisdom in providing allowances to insulate residential electric service, which is essential for economic stability. Kern Tax believes the same thing should happen for industrial customers.

There are no financial provisions in the allowance proposal to facilitate construction of stabilizing high-efficiency state-of-the-art co-gens that can reduce system demand and provide tax to local communities and needed generation reserves for the ISO.

The proposed CARB discriminatory allocation of GHG allowances to IOUs will deal a substantial blow to any hopes of successful design, permitting, construction, and operation of new state-of-the-art cogen facilities. Preventing these facilities in helping the IOUs from offsetting the native loads for electricity and steam.

FIRPTA was designed by the federal government and adopted in California in response to a major energy crisis in the early 70s. This period when energy prices went out of control revealed many policy flaws.

Now, California taxpayers are going to be asked to turn back the clock on California electric system to pre-FIRPTA state of affairs and grant IOU in excess to a double-edge sword that is assumed to protect rate payers from higher rates. But the new special IOU resource will only serve to usurp the beneficial relationship between industrial utilities and IOUs realizing the result of FIRPTA.

The long-term implication will be that cogens will not be built and captive industrial facilities loads

will be first reduced demand shed during ISO system emergencies when ISO could enjoy a less loaded system or a new cogen could have been called upon to provide needed in-state reserves. These parallel units could have also provided reenforcement in voltage and frequency stability at local sub-transmission levels.

Kern Tax suggests it should be only the affected percentage of facilities whose electrical load and system demand meets the necessary efficiency criteria so this would not be a substantial modification to inventories while the gains in ISO system integrity would be tremendous.

In closing, CARB should consider extending a similar allowance policy to those industrial facilities whose new cogen facilities meets AB 1613 Efficiency criteria, provided the cogens agree to dispatch excess energy under a parallel generator agreement with the ISO during system emergencies. Thank you

CHAIRPERSON NICHOLS: Your time is up. Thank you.

I just received another card, which reminds me I failed to reinforce my earlier comment that we're not accepting any additional sign-ups because we told everybody first thing in the morning that they needed to sign up if they wanted to speak. However, there is

another exception, which is that we hear from elected officials. So I believe we have the Mayor of Richmond here who's asked to speak; is that correct? And so we're going to let you speak.

MAYOR MC LAUGHLIN: Thank you. I very much appreciate you making this exception.

First of all, I just want to state, my name is Gayle McLaughlin. I'm Mayor of the City of Richmond in the Bay Area.

And I want to state what you already know that the courts have stated that alternatives to cap and trade must be looked at. And I think that is so, so very important because it gives us an opportunity. It gives us an opportunity to really look at closely what those alternatives are, really workable alternatives.

We know that cap and trade has been instituted in Europe for a long time, and it has had so many -- so many problems. It has shown itself to be unworkable through fraud, through free emissions. Companies -- you know, these big polluters are always looking for ways to skirt around the system. And this is what has, indeed, happened. Polluters have been allowed to do just that: Pollute more, whether it's through this carbon trading or whether it's through offsets.

And in the city of Richmond, we have the Richmond

Chevron refinery, which is the second largest oil refinery in the city of Richmond. And we have seen and I have witnessed the elements of damage that communities around the refinery have suffered: The asthma, the heart disease, the cancer rates are epidemic. And these are things that communities -- low income communities, people of color who are situated around the Richmond refinery, as they are in most cities around refineries, around heavy polluters, they are the ones that are suffering this extreme burden of pollutants.

And the issue of environmental justice is something that I really, really hope you'll take very, very seriously, because this is what we're talking about. We're talking about offsets where they can -- a polluter can go and plant some trees in a developing country and evict farmers in a developing country, which in itself is a terrible environmental injustice. But then they are allowed to pollute more in communities that, like Richmond, who have already been overly burdened with pollution.

So we really, really want to take that seriously. We want you to know how seriously we take it. How seriously I take it in the city of Richmond.

We have seen the Chevron refinery attempt to do a project which the courts brought down in 2008 due to a

flawed EIR. We're now working with Chevron to come up with a revised project, one that will truly reduce pollution. We don't want trading to occur. We want real reductions of greenhouse gas emissions. And we know that along with greenhouse gas emissions come other pollutants, metals and other chemicals. And we think that the jobs are in a green clean future. So thank you very much for giving me this opportunities.

CHAIRPERSON NICHOLS: Thank you for taking the time to come. Okay.

Ed Casey.

MR. CASEY: Good afternoon, Madam Chair and members of the Board.

My name is Ed Casie appearing on behalf of CIPA and each of its members today.

I'll be brief in my remarks today because we did submit two separate comment letters on the FED supplement, and our comment letters focused almost exclusively on the technical analysis in the FED supplement, because we thought there were a number of analytical flaws as well as omissions in the FED supplement. Our comment letters were supported by two other reports from well-known experts in the field.

Unfortunately, after looking at the responses to those comments, we believe that those flaws and omissions

were not corrected. Indeed, we think the responses added flaws and errors to the technical analysis underlying the FED supplement.

We believe it's critical that those errors and flaws be corrected in a revised version of the FED supplement for at least two reasons. One is, substantial evidence must, as a matter of law, support your decision when you do decide on certifying an FED supplement. But more importantly, when you correct those flaws and you re-run the numbers, you will see that there are viable alternatives to the cap and trade program. Thank you.

BOARD MEMBER BERG: Thank you.

MR. CASIE: By the way, we did submit an additional comment letter this morning which I'll give another copy to the Clerk.

BOARD MEMBER BERG: Thank you very much. I believe we've just gotten a distribution also of a comment letter.

MS. MERRILL: My name is Jeanne Merril. I'm with the California Climate and Agriculture Network. We're a coalition of sustainable agriculture and farmer member organizations.

My comments today relate to a couple of critical aspects for California agriculture when it comes to cap and trade offsets and CARB's recommendations Legislature

on the use of future allowance revenue.

We're concerned that as described the additionality requirements of offset credits may lead to unintended perverse incentives. We want clarity from CARB on how it intends to avoid creating such incentives. If early adopters of agricultural conservation practices which demonstrate a reduced greenhouse gas emission benefits are prohibited from receiving offset credits, early adopters may choose to stop their use of those conservation practices so that they may in the future reestablish those practices to then qualify for offset credits.

To avoid penalizing early adopters of conservation agriculture and creating more perverse incentives, CARB should establish that additionality for carbon offset protocols is determined by the common practice for the industry and should not include a fixed date requirement of when the practice was to be established.

As far as verification of greenhouse gas emissions reductions or design, rather, of offset protocols in agriculture, the marketplace tends towards simplified approaches to agricultural greenhouse gas mitigation, rewarding single practices rather than assessing and awarding whole farm system approaches, which

may lead to overall greenhouse gas emission reductions.

For example, you can alter an agricultural practice to achieve reducing methane emissions only to then require the farmer or rancher to change their practices otherwise and that can lead to greater unintended greenhouse gas emissions elsewhere in the operation.

And to minimize the chance that agricultural offset credits -- protocols, rather, will fail to account for displaced greenhouse gas emissions within farms and ranches, CARB should adopt only offset protocols that account for the full life cycle impacts of the entire operation.

We also have concerns about agricultural offset credits and their impacts for small and mid-scale farmers, many of which won't benefit from the carbon market. They're simply too small to participate and have it be worth their while. Yet, they have to compete in the marketplace with larger farmers and ranchers who may participate in the carbon market and be at a financial advantage to them.

We recommend that CARB consider other ways to support innovative conservation oriented small and mid-scale producers who provide climate change benefits which I'll mention in just a moment.

And then finally, the last comment on offset credits is that many agricultural projects, rather, that provide climate benefits provide other environmental and health co-benefits. And those should be considered, particularly for California.

And finally, I'll add, for the Legislature, we really strongly encourage you to recommend that a portion of the future allowance revenue go for agricultural practices that provide climate benefits.

BOARD MEMBER BERG: Thank you very much.

MR. PEDERSEN: Good afternoon. My name is Norman Pedersen. I'm here on behalf of the Southern California Public Power Authority.

SCAPA supports the supplemental FED. We support staying the course and moving to an economy-wide cap and trade program in compliance periods two and three.

We participated actively in the July 8th workshop because we had trouble understanding why the recommended direct measures, including advanced clean cars, are now projected to account for only about 62 million metric tons of the 80 million metric tons of emission reductions that will be needed by 2020, leaving cap and trade to obtain only about 18 million metric tons of reductions.

The July 22 report on the status of the recommended measures was very helpful to us, and your

response to our comment was helpful as well. We now understand that the projection that 62 million metric tons will be obtained through direct measures by 2020 is a conservative estimate of what will be obtained from the direct measures.

For example, no emission reductions are currently projected for combined heat and power, CHP, although CHP was projected previously to produce as much as 4.8 million metric tons of reductions. CHP will undoubtedly result in some reductions, as will likely be shown by the survey of utilities that you will be undertaking shortly.

We support the cap and trade program as a means to ensure that California will meet the AB 32 goal by 2020. However, we continue to support a robust program of direct measures that will produce the lion's share of emission reductions. A robust suite of direct measures such as the ones you designed in the Scoping Plan and the ones that Edie Chang discussed in her remarks this morning is a primary means to be sure that our insurance policy the, cap and trade program, doesn't cost too much.

We urge you to stick with an economy-wide cap and trade program to assure that we meet the 2020 goal, while continuing to pursue direct measures aggressively.

Additionally, we urge you to continue to pursue additional offset protocols, as Edie Chang also discussed

this morning, to attain emission reductions while also simultaneously containing once again the cost of our insurance policy, the cap and trade program. Thank you very much for your attention.

BOARD MEMBER BERG: Thank you very much.

Hank de Carbonel.

Paul Mason, please.

MR. MASON: Good afternoon, Madam Chairman, members of the Board.

Paul Mason for Pacific Forest Trust. I'll try to be brief today.

We do support the adoption of the supplemental FED and the revised Scoping Plan. We very much like the portfolio approach that's been laid out for many of the goals of AB 32, which includes a cap and trade program. We think the cap and trade program is critical because it does help send that price signal out to the rest of the economy regarding carbon.

We heard a lot of concerns about the cap and trade program for the first half of the day today. And I'd just like to take a moment to suggest that a lot of those concerns about impacts to public health in localized areas as well as concerns that we have about impacts to forest ecosystems could be addressed through the adaptive management program that the Board has committed to or the

strategy for adaptive management.

I would suggest that's something the Board should really focus on making very specific and getting that out for public discussion as soon as possible so that we can be looking at how to make sure it includes clear triggers so we know when we're starting to see an unacceptable level of impact and have some sense of what would be the response.

If we did start seeing an impact in forest region from biomass production or in a community getting additional air quality impacts in a localized area, what would be the trigger, what would be the response. We need to get that out and make sure that's part of the public discussion. But we very much support moving forward with the Scoping Plan and with the portfolio approach. Thank you.

BOARD MEMBER BERG: Thank you.

Jasmin.

MS. ANSAR: Madam Chairman and members of the Board, my name is Jasmin Ansar. I work at the Union of Concerned Scientists.

My remarks will focus on the proposals for the allocation of allowances to refineries in California. But let me just start by congratulating CARB staff for their outstanding work and dedication in bringing about the

Scoping Plan and 15-day changes. This is an important and significant milestone in helping California accomplish its carbon reduction goals.

In the 15-day changes, CARB staff has put forward an allowance allocation proposal for refineries. The staff proposal is smart, pragmatic, and sensible first program with many merits. This proposal is likely to succeed since it rewards efforts by facilities to reduce carbon emissions and it is based on California production, which rewards and addresses outsourcing concerns.

If the benchmark is further set at best practice standards, it will promote greater carbon reductions and faster adoption of these best practices. In addition, outliers with very high carbon intensities can be accommodated through special transitional assistance to address their poor carbon performance. This targeted help can help finance the necessary investments in carbon efficient production facilities to effect swift carbon reductions.

There is an alternative proposal mentioned in the 15-day changes that is fatally flawed. This alternative proposal is based on a non-transparent methodology that results in a two billion dollar subsidy to the refining sector with no public accountability or review. The flaws in the alternative allocation scheme can best be

illustrated by means of a simple example. Under the alternative, let's considered two facilities. Facility A is a facility that innovates, that pushes the envelope. Let's say it's a refinery that decides, okay, we're going to go carbon free. In that sense, then it is rewarded because it can enjoy the full value of its allowances.

Under the alternative proposal, it would only get 20 percent of the benefits. The remaining 80 percent of the allowances that it thereby save by the carbon free production would actually be decimated and given to other refineries, other entities, other facilities that had overshot their allowances and thereby actually exceeded and polluted more than their share.

So let me just end by saying that the staff proposal is a smart pragmatic and sensible initial program and the alternative proposal has a fatal flaw, which conflicts with the carbon reduction goals of AB 32.

Thank you very much.

BOARD MEMBER BERG: Thank you very much.

Dan Kalb.

MR. KALB: Members of the Board, my name is Dan Kalb, also representing the Union of Concerned Scientists.

First, I want to be clear that UCS strongly supports the Scoping Plan as proposed for adoption. We acknowledge some of the concerns with one significant

element, cap and trade, in the plan. And we share some of those concerns. But we believe that moving forward today with implementing AB 32 is paramount. And we support having the Board adopt the plan as put forward today.

We appreciate the hard work the staff has engaged in over the past months and years in the cap and trade rules, specifically, and we suggest there is some important work to do on some provisions of the cap and trade regulation, specifically the offsets provisions, often considered the most controversial provisions.

We assert that offsets, which are not inherent in cap and trade, present the most uncertainty and therefore the most risk to the success of the market-based program. Again, we support having a cap and trade program.

I should point out that the eight percent of total obligation figure that was mentioned earlier this morning equals roughly about an 80 percent of emission reductions. That's a very large number. We believe that it would be more prudent to focus our emission reductions on the capped sectors, which is where most of the pollution comes from.

In order to promote greater technological innovation in the capped sectors as well as take advantage of the potential in-state cobenefits, we encourage the Board to eventually lower the offsets limit in the second

and third compliance period.

Never the less, if the Board continues, either way, to allow for an expansive use of offsets, the question of quality control and market oversight become that much more important.

We, therefore, have proposed regulatory language to strengthen the process for approving offset protocols and for improving the oversight for verifying the offsets themselves.

To increase the likelihood of offset integrity, we propose that a rigorous analysis of additionality be conducted for every proposed new offset protocol and as part of the regular review of all existing protocols.

The language in the cap and trade regulation today doesn't go far enough yet to provide the level of rigor that is needed to maximum offset integrity through the protocol process. Of course, it's the protocols that allow for the offsets. That's where the important additionality analysis needs to happen.

This additionality analysis should assess the expected business-as-usual activities related to the protocol and analyze the expected impact of the offset protocol on new project development. Protocol should only be adopted if there is a very high degree of confidence that the credits generated due to the existence of the

protocol are truly real and additional.

We also believe that the regulation should identify a required performance review of verifiers and passing the performance review, of course, as a condition for re-accreditation.

And finally, we support CARB and the buyer liability provision. It is the buyers, the regulated entities, that are the ones required to reduce emissions, and they are the ones that should be held accountable. And we thank CARB for including that in the regulation. Thank you.

BOARD MEMBER BERG: Thank you very much.

Bob Lucas.

MR. LUCAS: Thank you. Good afternoon.

My name is Bob Lucas. I'm here today representing the California Council for Environmental and Economic Balance.

CCEEB supports the adoption of cap and trade program as the best means to achieve greenhouse gas reductions at the lowest possible cost. We also appreciate the work that the staff has performed over the last year.

In looking forward, I'd like you to know CCEEB is committed to working with the ARB to build a workable regulation that balances the environmental and economic

needs for a healthy and vibrant California. CCEEB supports the objectives of the Scoping Plan.

We also support your proposed action as outlined in the proposed Resolution 1127.

With regard to co-pollutant emission impacts which has received a lot of attention today, I'd like to direct your attention, if I may, to page 53 of the supplement to the AB 32 Scoping Plan FED in the final paragraph. And if I may, I'll read two sentences to you.

"The ARB staff evaluated the potential for criteria pollutant emission increases under the proposed cap and trade regulation in the co-pollutant emissions assessment."

This is a document prepared by the ARB staff.

"The assessment examines some hypothetical possibilities for potential increases in criteria pollutant emissions from certain facility types in four community-specific case studies and determined that any increase in co-pollutants is highly unlikely."

Now, the staff responsible for preparation of that study is here today, in case you do have questions about it. I don't need to say anything more about it at the moment.

I would like to also draw your attention, if I may, to page 113 of this document, which is the Table

2.8-1. Comparative likelihood that alternatives achieved project objectives. You'll see what this table does is to list each of the 20 objectives of the Scoping Plan and the assessed potential of each of the different alternatives to meet those objectives.

You'll note that cap and trade has the highest assessment of the ability to the meet the Scoping Plan objectives of any of the alternatives that were evaluated.

So with that, I'll close. Thank you very much.

BOARD MEMBER BERG: Thank you very much.

Ms. Feast.

MS. FEAST: Good afternoon. My first name is Saskia. Saskia Feast. Thank you for the opportunity to speak.

So I'm Saskia Feast. I'm here representing EOS Climate. EOS Climate is a small San Francisco-based company that was founded to address the environmental threat of ozone-depleting substances leaking into the environment, ozone depleting substances which you may recognize as CFCs are gases found in older refrigeration and cooling equipment. These gases must be collected, aggregated, and destroyed before they leak into the atmosphere.

We support efficient market mechanisms as the most efficient method to drive the investment required to

pay for the collection and destruction of these gases.

ARB is the first regulatory body in the world to recognize the destruction of ozone-depleting substances as a compliance grade offset. As a result of ARB's leadership, the demand for offset produced from the currently recognized protocols has increased. This has enabled our company to ensure that hundreds of thousands of pounds of old refrigerant gases have been prevented from being emitted. We've generated over 1.4 million metric tons of emissions reductions and sold them to entities because of the rules that ARB has proposed and is moving forward with.

Your leadership and the implementation of the program sends a clear signal to investors and to businesses. As I mentioned, we're based in San Francisco. We were started in 2008. In the first six months of this year, we've hired seven more people to our innovative start-up company. So thank you for creating greener jobs in the Bay Area.

In closing, I'd like to say we support the supplemental FED and the Scoping Plan. And I'd like to acknowledge the staff for their pragmatic and thorough approach in developing these regulations.

BOARD MEMBER BERG: Thank you very much.

Tim O'Connor.

MR. O'CONNOR: Good afternoon. My name is Tim O'Connor. I work for Environmental Defense Fund.

First of all, I don't think it's any secret that EDF has been in support of this plan and the measures that the staff has developed under the plan. And we are here to, of course, urge the Board to adopt it today and to move forward with implementing the rest of the measures that are in there, included within that a cap and trade program.

California has some of the worst air quality in the nation. We need to make sure that polluters don't get off the hook for their emissions. We believe that the program doesn't do that. The cap and trade program specifically that we heard so much about today doesn't do that. It works alongside traditional and emerging air quality regulations that are going to be very important for improving our air quality throughout the state. It's going to be working along side these regulations providing a strong signal to reduce pollution that's going to help clean up our communities.

We, of course, are very concerned, and a lot of the statements we heard here today are very heartfelt statements and are very important for the Board to hear because, indeed, they are reminders that we need to be improving our air quality. We don't think that cap and

trade and, say, getting rid of cap and trade is the right solution. Holding polluters accountable is one thing this program does, and we think it's important to move forward.

Right now, EDF has been working with other NGOs, other entities to figure out a way to implement a market program so that it doesn't impact communities. We've heard from Edie Chang today that ARB is going to be working to develop an adaptive management program to work alongside this regulation so that we can detect and respond to potential increases or changes to air quality that were maybe either unforeseen or unintended. That's going to be a critical part of this program.

We haven't yet seen a full proposal for that. We're anxious and we are ready and willing and able to work with the staff to develop that. And we want to make sure that that becomes a critical part of this program as well.

Further, one thing I think we have heard a little bit about today is offsets. I mean, this program -- the meeting today was not necessarily about cap and trade, but of course that is becoming a strong topic of conversation. EDF has been supporting the use of offsets in this program from the beginning. They are a critical cost containment mechanism. They also provide opportunities for innovation and reductions of environmental impact in areas that are

outside of the program. They're a very important piece of this overall package of reductions. And we think they can be providing benefits both within California -- environmental benefits as well as outside of California. And we think it's also important that the WCI partners are here today. Because this program in whole is going to be creating opportunities and improvements and benefits both in California and outside our borders. And it's important that we work together with those entities to make sure we get regional as well as in-state benefits. Thank you very much.

BOARD MEMBER BERG: Thank you, Tim.

Jessie Marquez.

MR. MARQUEZ: Good afternoon, Chairman of the Board and members of the Commission. My name is Jessie Marquez. I'm the founder and Executive Director of Coalition for a Safe Environment. We have over 500 members in 25 cities in southern California. And we're predominantly in the Wilmington, Carson, south Bay Area.

I'm here because you're here. And the reason you're here is because CARB lost a court case where the judge ruled that you did not do an adequate alternatives assessment. This happened because CARB management and staff failed to listen to the public comments and to listen to the points that we brought up during the public

comment periods that there were deficiencies in the proposed Scoping Plan.

What I'm going to discuss with you now are four other alternatives assessments that could have been done. For example, early action measures; our organization, Environmental Justice Advisory Committees, and others made over 50 early action measure recommendations. CARB staff only recommended 21, and those that got incorporated.

So one of the alternative assessments could have been done to go back and reassess the other 20. It's been a few years now. Some have been tested. Protocols have been developed for them. They've been certified. But yet, here you are a decision maker not having that information before you.

A second analysis that could have been performed was that during this whole process you have a CARB department that is reviewing technology, preparing your protocol testing, witnessing testing and demonstration and certifying. Where is that? You don't have that analysis of all of various technologies. It also a fact some of these technologies CARB was the co-sponsor of. Right here in Roseville railyard, the advanced locomotives control system was tested and proven to be 92 to 98 percent effective at capturing emissions. Nowhere is that technology mentioned as a recommendation. That AMEX

system for advanced emission marine control was performed on three ships. It's nowhere there.

One of the other areas that we found that could be done was that in some cases you had an opportunity to establish higher standards. South Coast AQMD has a rule for 95 percent emission efficiency for vapor recovery systems, which sounds good. Except for when you have hundreds of storage tanks, that five percent adds up. Well, CARB staff could have done an assessment to find out what is the maximum achievable and the maximum achievable efficiency is 99 percent. So CARB could have made a ruling or requirement that all AQMDs now adopt a 99 percent efficiency standard. They did not do that.

The fourth alternative assessment would be to look at other technologies that CARB has not been involved with, but yet Port of L.A., Port of Long Beach, AQMD, and others have been testing different types of things. Port of L.A. adopted a ten megawatt solar energy program. The first megawatt has been done. There is an example.

So in our public comments, we've listed some of those technologies and those are the four categories of alternatives analysis that we feel you should direct staff to go ahead and include in the supplement and not approve and certify it today. Thank you for your time.

BOARD MEMBER BERG: Sofia from Coalition for a

Safe Environment.

MS. CARRILO: Good afternoon, Chairman Nichols and members of the Board. My name is Sofia Carrilo, community organizer with Coalition for a Safe Environment.

I wish to submit my public comment request that the California Air Resources Board not approve and adopt the proposed Scoping Plan document. Our staff find it to include the alternative analysis and assessment and comprehensive study of the potential public health impacts (inaudible). ARB has not conducted one comprehensive study on the greenhouse gas impacts for public health, public safety for to future for socioeconomic impacts.

I request that ARB require ARB staff to conduct a health impact assessment for each alternative analysis option and that technology to validate the public cost benefit prior to the final approval of the AB 32 Scoping Plan. Thank you.

CHAIRPERSON NICHOLS: Richard Pulido.

MR. PULIDO: Good afternoon, Madam Chair. Good to see you back, and to all the CARB Board members and to staff and to our community here at large.

My name is Ricardo Pulido. I'm a member of the Coalition for Safe Environment, Board member. And I live in the beautiful city of Carson neighboring all the greater south bay areas that we represent, Wilmington, San

Pedro, Long Beach, Harbor City up into the Gardena, Torrance, Palos Verdes, Rolling Hills. All of those areas are voices needed to be heard today, and you've been hearing throughout the day from some of our friends and community.

I would like to say on behalf of our coalition, first of all, the Cal/EPA and yourself, CARB are the watchdogs for our community. And that's the way I remember you guys when I was a kid. I would say, gosh, Cal/EPA, get them. Keep up the great work.

And then CARB came up and you guys kept rallying and keeping the communities first and always foremost.

So with that said, this is regarding AB 32 California Global Warming Solutions Act of 2006, CARB public meeting agenda today, Item 11-6-1. Public comment request to not approve and not adopt the final supplement to the AB 32 Scoping Plan functions equivalent document.

Dear Chair and all members, I wish to submit my public comments requesting that the California Air Resource Board not approve and adopt the proposed final supplement of AB 32 Scoping Plan functional equivalent document.

I believe the ARB staff did not do an adequate job in researching, identifying, and recommending new emerging greenhouse gases, a reduction alternative

technologies.

I further wish to share with you one zero emissions reductions freight transportation emissions technology -- this is a solution I'm talking about -- I believe can contribute to the significant reducing greenhouse gas emissions by replacing 19th century locomotive freights, trains which was not included in AB 32 Scoping Plan.

Take heed and listen on. American Maglev Technology, Incorporated, AMTI, Environmental Mitigation and Mobility Initiative, and also EMMI Logistic Solution Zero Emission Maglev freight trains. American Maglev Technology, Incorporated, has built a working demonstration project prototype of the Maglev train since 2008. AMTI has offered to build a demonstration project at their on cost, no money, no tax dollars, nobody's money -- private industry -- at the port of Long Beach and Los Angeles, which no progress has been made up to this date.

I gave your staff earlier this morning 30 copies for everybody. As you can see right here, you can see the Maglev in full operation. It's working in other countries. And we'd like to see it happen here in the L.A. area specifically. Maglev trains are zero emissions, four times faster than a locomotive train. Each car can

travel independently, near noiseless, and very cost effectively.

I respectfully, Madam Chair, submit this information to you that your staff has already got.

And I'd like to also say I have a family of seven children and a granddaughter. And just like yourselves, you heard today, some of them that have mental health issues. And I believe in my heart that a lot of our contamination and pollution is causing the mental health and unstability of a lot of our young people and our elderly. We haven't heard that. But the poor and the frail and the sick are being affected in their brain disorders and also in their minds. Because of all the contamination that's around us here, specifically the refineries. We feel they should pay their fair share. They're not paying enough to help with this. We should have health care clinics around all of our surrounding communities --

CHAIRPERSON NICHOLS: Your time is up.

MR. PULIDO: And madam Chair, in closing, I'd like to say that the staff is flawed in their presentation. So please vote this down today. God bless you. Thank you very much.

CHAIRPERSON NICHOLS: Joseph Pinon.

MR. PINON: Good afternoon, Madam Chair and

members of the Board. My name is Joseph Pinon. I'm the Chairman of the Environmental Commission in Carson, California. I'm also a member of the Coalition for a Safe Environment.

To those unfamiliar with the city of Carson, we are the northern neighbor of Wilmington. We have several oil refineries and we're located very close to the ports of Long Beach and L.A. The 90744 four area code resides in the city of Carson and the 90744 area code has also the highest hospitalization rate for children with asthma.

Now, the Environmental Commission and city of Carson has enough to worry about concerning our soil, concerning our water, without also having to add worries about our air quality.

I'm here to request that the California Air Resources Board not approve and adopt the proposed final supplement to the AB 32 Scoping Plan functional equivalent document. I believe that the ARB staff did not do an adequate job in researching, identifying, and recommending new emerging greenhouse gas reduction alternative technologies.

I wish to share with you one zero emission freight transportation technology I believe can contribute to reducing greenhouse gas emissions from goods movement industry trucks, which was not included in the AB 32

Scoping Plan. Vision Motor Corp is building a hydrogen gas fuel cell zero emission Tyrano 80,000 pound drayage and a 130,000 pound terminal tractor that can be used at the ports, intermodal facilities, and rail yards and is currently undergoing ARB approval and testing protocols for Executive Order certification.

The ports of Los Angeles and the ports of Long Beach have already ordered two trucks. I ask that CARB Board require ARB staff to review this technology and to add the Vision Motor Corp truck freight technology to the list of available technologies to reduce greenhouse gases. I have included a photograph of the technology for your review. Thank you.

CHAIRPERSON NICHOLS: Thank you.

MR. MARQUEZ: Good afternoon. Madam Chairman and rest of the Board.

I approach you guys through a slightly different point of view. I'm a small business owner in a city of Wilmington. There is one little concept phrase that pretty much dictated the 100 percent success of my business and that phrase is "continuous improvement." That means no matter what I do, no matter how great or how wonderful my business is, there's always room to improve. Always.

Last year, I spent 70 percent of my entire profit

upgrading my business to make sure everything runs more streamlined and to continually improve. What I see here is wonderful and a great step forward, but unfortunately those companies that need to improve aren't improving. It's actually a shame to say that some of these companies are using technology developed in 30s and 50s and say that it's viable in the today's day and age. That's kind of prosperous.

If you look in your pockets, how many of us have iPhones that control your garage door, your phone, your telephone, you can find out sports scores. I mean, that's amazing. We're a wonderful, beautiful race, beautifully intelligent. And our technology is beyond what anyone can comprehend right now.

Unfortunately, these companies that can be doing this, that do have the money to do this, that have an opportunity to do this unfortunately are not taking care or continually improving.

As such, we stand here in front of you almost battling back and forth, like you're on the west side, we're on the east side fighting to the death. Why is this when the people at hand that are responsible aren't here. You know, where is the Board of Chevron? Where is the Board of Arco? Why aren't they here? Why aren't they talking with us?

Unfortunately, they have private jets. They have money, and they're still not here. Here we are, the broke little community getting our stuff together. We're doing the best.

If I can continually improve and invest 70 percent of my profit to improve my business to make me look good to help my surroundings, then why shouldn't they?

Again, as my predecessors previously mentioned, I bring forth one piece of technology. And if you can see, it's basically a stack that goes on top of rails and ships that eliminates 95 percent -- 95 percent of everything we are arguing about right now. 95 percent of our war in this room can be eliminated with basic upgrades and the phrase "continuous improvement."

As such, I just ask the Board to really consider that we're brilliant, that we do have technology, that it's here and it's proven. And all we have to do is make one phone call. If they can write checks to buy trades, if they can write checks to buy ten lawyers to battle us to the death, if they can write check to fly and buy a villa on a private island, they sure as all heck can write a check to improve -- get this technology.

You wouldn't be there. We wouldn't be here. The world would be great. The people who died of cancer would

be sitting right next to us. We would be singing lolly-dolly and everyone would be great.

But unfortunately, we're here. We are battling. We are arguing. We're attacking you guys. It's the horrible situation, when the fact is there's millions that need to be allocated this should be allocated and continually improved. Thank you.

CHAIRPERSON NICHOLS: Thank you. That's great. Good job.

C.T. Webber, followed by Vivian Huang.

We should give awards for, like, the most interesting testimony.

MR. WEBBER: Good afternoon. My name is C.T. Webber. I'm Peace and Freedom Party of California State Chairperson.

Today, we've heard many, many very compelling stories as well as some well researched analysts. Many people, especially people of color, have been asking -- I would rather say -- begging you to stop cap and trade. I'm not sure you will. I'm a doubting Thomas.

I listened to your staff's explanation as you set up several strawmen called "alternatives" and then knocked them down one by one.

Let me give my statement for the day. Peace and Freedom Party supports the state of California's goal of

reducing greenhouse gas and emissions. We are opposed to market-based mechanisms, such as carbon credit trading and offset purchases. We believe that only real and measurable regulations combined with alternative energy development and widespread conservation practices will change our current path of increased environmental degradation.

The cap and trade policy proposed for adoption in California is fundamentally flawed. It relies on some industry plants which reduce emissions below the cap being able to sell their credits to industrial plants which pollute above the cap. The net result is no reduction. And if the pollution producers cannot find a market for their credits, there will be no incentive for them to further reduce emissions.

Another component of the proposal is the ability to purchase offsets. That means that companies can continue to pollute in our state as long as they perform some mitigation, such as planting trees, somewhere else.

This is a particular concern for areas which already experience public health problems from high levels of participants and poisons in the air. And it is very likely scenario since California is planning to partner with six other western states and four Canadian provinces for its cap and trade offset program.

The cap and trade system is not a new idea which deserves a chance to work. In fact, it is a proven failure. It was a system established by the Kyoto protocol which, while not adopted by the United States, was embraced by Japan and European companies. Emissions in Japan went up 16 percent, while systems in effect which was well before the Fakushima nuclear disaster. Most European nations also increased their emissions. The only exception is Great Britain, which experienced a flattening, not a reduction, in emissions. That's because the shift from coal to north sea gas.

The people of California need a real solution to pervasive and increasing pollution. Childhood asthma and other elements are on the rise, particularly in the Central Valley and the urban areas such as Oakland and Los Angeles. And we all face the specter of catastrophic climate change, which most of us agree is caused by human misuse of natural resources.

CHAIRPERSON NICHOLS: Your time is up.

MR. WEBBER: I've given you written statements.

CHAIRPERSON NICHOLS: Thank you. We have it in the record.

MR. WEBBER: Thank you.

CHAIRPERSON NICHOLS: Vivian Huang and then Kirsten Schwind.

MS. HUANG: Good afternoon. I'm Vivian Huang with the Asian Pacific Environmental Network. We actually work with low income immigrant communities in both Oakland and Richmond, and our mission is to advance environmental justice for Asian American communities across the state.

We're opposed to cap and trade because we believe it's a false solution. The communities that we work with, the immigrant Chinese community in Oakland, China Town, and with the Laotian community in Richmond already experience pollution far more disproportionately than most other communities. And cap and trade would must exacerbate an already tough situation harsh conditions.

We know that cap and trade also does have harmful impacts on communities abroad. Many of these are in home countries that the immigrants are refugees that we work with come from.

As we've seen worldwide, this sort of market solution only serves to really widen the disparities between the rich and poor and to really increase the profits that polluters are making.

My community in Oakland China Town is a dumping ground of traffic from several different freeways that surround and basically box in the community.

The immigrant community is also suffering from a lack of economic development in the area. And every

morning as I go to work, I often see a large crowd of people that are gathered outside waiting for jobs, waiting for opportunities to be able to make money and support their families.

And I think instead of looking at cap and trade, there are other alternatives that we could really use to actually support the health of our communities and support economic development. We can look at pairing our communities with renewable energy. We can look at training immigrants for the green job sector that is growing at a rapid rate. We can look at resourcing our communities to protect our own health. And because California needs real solutions, I strongly urge you to oppose the cap and trade and to look at alternatives. Thank you so much.

CHAIRPERSON NICHOLS: Kirsten Schwind.

MS. SCHWIND: Good afternoon.

My name is Kirsten Schwind. I'm Program Director of Bay Localize. We're building a vibrant movement in the San Francisco Bay Area to reduce reliance on fossil fuels and build resilience. We worked very hard to defeat Prop. 23. And we stand strongly in support of AB 32.

But we think it doesn't go far enough. We've already overshot on our emissions that scientists believe the atmosphere can take. If you believe the number of 350

parts per million, we're already at 385. We've overshot.

I was surprised to hear your staff say that a risk of option of the carbon tax was it might actually do too much. It might reduce our emissions.

Let's be really clear; the risk to California is climate change. It's an amazing risk to our economy, to our beautiful ecology, to our incredible biodiversity, to our community's health as we so poignantly heard this morning. The risk is climate change. The risk is not doing too much about -- the risk is not doing too much about it. The risk itself is climate change. I can't emphasize that too much.

We are extremely concerned about cap and trade. We submitted comments to the Board supporting a tax and regulate option number five option. I was also surprised to see the staff call our comments irrelevant. I believe it was actually incredibly relevant what the people of California want as their climate policy. This, in fact, is the very point.

We are incredibly concerned about the experience the European Union had with cap and trade that generated windfall profits for industry, rising utility prices for consumers, and did not reduce any emissions. I would hate to see that happen in California. What we really need is real climate solutions.

You're probably concerned about the need for two-thirds vote to pass a new carbon tax in California. I want you to think about the huge margin for which we defeated Prop. 23. There is political support in this state for strong climate action. There is not political support in this state for cap and trade. I think you see this from the comments that were submitted this round. And also last December when over a thousand comments were submitted and the vast majority of them opposed cap and trade. Many of them because they thought it wasn't strong enough. That's where the political support in this state is. California is speaking. Air Board, are you listening?

CHAIRPERSON NICHOLS: Marcie Keever and then Michelle Passero.

MS. PASSERO: Good afternoon, Board members and Chair Nichols. My name is Marcie Keever. I'm the Legal Director at Friends of the Earth US. Friends of the Earth fights to defend the environment and create a more healthy and just world. And we are part of Friends of the Earth International, a federation of grassroots environmental groups working in 76 countries around the world.

Also speaking today on behalf of the Rain Forest Action Network, which has been campaigning to protect rain forests and the rights of forest dependent people since

1985 and is based here in California.

Like many groups here, we assert it is inappropriate for the ARB to move ahead with amendments to or approval of these cap and trade regulations. The original regulation failed to meet the criteria set out by AB 32 and the modifications do not cure these defects.

We are particularly concerned about the impacts the cap and trade program will have on low income communities of color and over-burdened communities, a concern that many people and groups have expressed today and you have already heard.

One of the reasons the program will be so harmful to local communities is because of its heavy reliance on offsets. Not only will companies be able to buy offsets instead of reducing their pollution, but in the latter part of the program, up to half of these offsets could come from outside of the United States. In particular, these ARB rules allow for REDD credits to enter California. REDD stands for reducing emissions from deforestation and degradation. And it refers to carbon offsets from tropical forests, forests in places like Nigeria, Indonesia, and Mexico.

It is notoriously difficult to measure emission reductions from REDD projects, and California has no jurisdiction in these countries. So we will not be able

to ensure the environmental integrity of REDD credits. Plus, REDD credits are prone to fraud and corruption, and they can seriously threaten the rights of indigenous peoples who inhabit these forests. That's why no other carbon trading system in the world, including Europe, has accepted REDD offset credits. REDD credits are the most dubious, riskiest type of offset in the world, and allowing them to into the system would be a grave mistake.

The fact that ARB has proposed rules contemplate including REDD credits is a prime example of just how little environmental integrity the cap and trade program has.

We strongly urge the ARB to take the opportunity provided to examine real alternatives the cap and trade and to implement a robust program to reduce emissions and to protect the lives and livelihood of Californians and those around the world. Thank you.

MS. PASSERO: Good afternoon. Michelle Passero with the Nature Conservancy.

The Nature Conservancy supports the proposed Scoping Plan and the full implementation of AB 32. Its adoption is important for our climate ecosystem and overall quality of life. It's also important from the standpoint of maintaining policy momentum to reduce emissions and maintaining public confidence in

California's climate leadership. Therefore, we urge the Board to adopt the proposed Scoping Plan and its portfolio reduction measures.

We also look forward to continue working with you and with staff to ensure that we meet our greenhouse gas reduction target and continue to inspire climate action elsewhere. Thanks.

CHAIRPERSON NICHOLS: Thank you.

Veronica Trujillo and then Nita Sisamouth.

MS. TRUJILLO: Hello. Good afternoon, members of the Board.

My name is Veronica Trujillo. I'm currently a student at UCLA and member and intern with Coalition for a Safe Environment. I'm also a life-long resident of the city of Wilmington.

I'm here today to request that the California Air Resources Board not approve and adopt the proposed final supplement to the AB 32 Scoping Plan Functional Equivalent Document.

I believe that the ARB staff did not do an adequate job in researching, identifying, and recommending new emerging greenhouse gas reduction alternative technologies.

I wish to share with you one technology I believe can contribute to reducing greenhouse gas emissions from

older diesel trucks, which was not included in the AB 32 Scoping Plan. The company, Miracle Mile Solutions, has a pending application for its advanced technology system called Diesel Truck Vehicle Additive Technology Solution Systems, also known as VATS. VATS is currently undergoing ARB testing protocol for Executive Order certification. VATS is a retrofit for older 1985 through 2006 diesel trucks, which creates an on-demand and on-board cleaner hydrogen oxygen gas that dramatically increases combustion efficiency, increased gas mileage, reduces emissions, reduces fuel consumption and decreases fuel cost.

I'd ask that the California Air Resources Board require ARB staff to review this technology and add VATS technology to the list of available technologies to reduce greenhouse gases. I have included a photograph of the technology for your review. Thank you.

CHAIRPERSON NICHOLS: Thank you.

MS. SISAMOUTH: Good afternoon, members of the Board. My name is Nita Sisamouth. I'm a Richmond resident and community organizer for the Asian Pacific Environmental Network.

I'll be brief. I support AB 32. I oppose cap and trade because clean air is a basic vital necessity for all living beings and should not traded for profit.

California needs real solutions to combat global

warming, climate change and ecological crisis exacerbated by human activity.

AB 32 should create alternative use of renewable clean energy to power currently polluting plants and prevent processing of dirtier crude that would improve public health, especially in communities most affected. We not only going to be affected in California. Offsets will affect other countries, for example, where my parents are from, with the forestry projects.

I will kind of end by saying that California is one of the most influential innovative places. The United States look at us. And I think that if we can make the right decision that we can change the world. Thank you.

CHAIRPERSON NICHOLS: Thank you.

Alex Jackson, NRDC.

MR. JACKSON: Good afternoon, Chair Nichols, members of the Board. I'm Alex Jackson with NRDC.

First just want to thank you for staff and the Board's ongoing commitment to a public process. It's been important and we really appreciate all the opportunities we've had to weigh in in your consideration of our views and those of everyone here today.

NRDC is a strong supporter of the scoping plan. We were back in 2008 and we are today. And we fully urge

the Board to move forward with the proposed Scoping Plan as reflected in the new analysis presented by staff.

It's been a long day, so I'm going to just focus on two points. The first is really if the question is how can we best design a portfolio program to meet AB 32, which I would suggest is the task before you today, the question is not whether we should pursue only direct measures or market-based programs. Really, the answer is we need both. We need both for a number of reasons. And I think that portfolio approach is what NRDC supports. We see that reflected in the proposed Scoping Plan. We'd ask that to move forward.

The cap and trade program is one tool in our toolbox. And it's a growing -- you know, on ARB's new numbers, it's presented to be now smaller than we originally thought. It's projected to achieve about less than one-fifth of our anticipated emission reductions.

It is critical for a number of reasons. First is that it provides an absolute certainty that the other intensity based measures of the scoping plan do not provide. Population growth is more than we think. Economic activities is more than we think. Those estimates that we see laid out in those charts can be somewhat misleading, and I ask that we don't over rely on them.

Cap and trade provides that emission certainty, provides the backstop for those other measures, which is really critical to ensure we comply with AB 32. It's also enforceful against individual emitters, which is important. Enforcement is going to be key. It sends a stable market signal to drive innovation and spur long-term reductions. This is really important. This program is designed also with the long-term objectives in mind, our 2050 climate goals in mind. With ARB's auction price floor of $10 a ton, I think we can guarantee we are going to have a stable market signal. We are going to see innovation occurring.

What it will not do is dictate where emission reductions occur within the economy. For that reason, NRDC has never been supportive of relying on cap and trade alone to meet AB 32's target. That's where the host of direct emission reduction measures under the scoping plan come in and that's why again we support the policy of a package of policies.

The other point I would just want to make is that AB 32 implementation does not seize today whenever we wrap up. Hopefully, that's not to much later for members of the Board and staff. Really, it's envisioned as an ongoing process. In the statute itself, it directs ARB to update the scoping plan every five years. And we've heard

from staff their commitment to do that, and I think that's something that's going to be important moving forward. Thank you.

CHAIRPERSON NICHOLS: Thank you.

Eric Eisenhammer -- excuse me. I overlooked somebody. I thought there was a line through the name. It was a mistake. It's Fred Main.

MR. MAIN: Thank you, Madam Chairman and members of the Board.

My name is Fred Main, today representing the Western Independent Refiners Association, WIRA, speaking on the cap and trade program. WIRA represents Paramount Oil, Kern Oil, and Lunday-Thagard. And in the attempt to save your time, we'll be testifying on behalf of all of the members of WIRA today.

WIRA members have been working with CARB for months on the details of the refinery benchmarking approach under the cap and trade and have been encouraged by CARB staff to do so. WIRA supports the simple barrel approach as currently outlined in the regulatory language and has been working with the CARB staff on these details.

However, in the last few days, we've been given a verbal heads-up there could be major changes in the works with this issue. And according to the staff, the next set of revisions to the regulation that could be out next week

could contain a major shift in policy as it relates to this refinery allocation. As of today, we have not been able to see the details.

I don't want to underestimate the significance of this change to our members and the relatively short time we would have to digest its implications.

What appears to be a CARB reversal on the position on this issue has cost WIRA and its members weeks of time that could have been used to understand and comment on the proposal.

The only alternative approach that we've been made aware of today is the adjusted EII. This approach clearly is detrimental to California's small refineries.

If CARB withdraws its support for the simple barrel approach this far into the process, WIRA members are gravely concerned there would not be ample time prior to the Board's October meeting to fully and properly understand, analyze, and provide input to a new currently unknown methodology.

We hope that the CARB staff and CARB will continue to maintain the simple barrel approach and at the least insist that WIRA member concerns be addressed by the CARB staff prior to the release of the next 15-day package.

Thank you very much for your attention.

CHAIRPERSON NICHOLS: Eric Eisenhammer and then Lillian Alvarez.

Is Eric here?

Lillian Alvarez.

MS. ALVAREZ: Hello. Thank you for taking my comment.

I'm here to present concerns for international forest offsets and reducing emissions from deforestation and degradation. I know that the REDD offset working group is here for me to address these comments as well. I will do that when the time comes.

I wanted to just say that I have not seen any assessment of what is going on in these states and Chiapas and Brazil and Mexico, what forest governance looks like in these states, how will you be addressing the allegations of corruption, the fact that many rural activists have been killed in these regions. And I'd like to see what improved forest management techniques you are pressing forth in this Memorandum of Understanding.

So prior to, you know, continuing your conversation of what REDD forest offsets will look like, I would like to see this assessment prior because I think that's very important. Otherwise, right now, we have organizations like the Global Justice Ecology Project that are taking upon that task, going to the Chiapas to how see

REDD will or will not help the communities there. I think that's something ARB could be pushing forward for. And otherwise, we run the risk of committing serious human rights violations. Thank you.

CHAIRPERSON NICHOLS: Gary Gero.

MR. GERO: Good afternoon, Chairman Nichols and members of the Board. My name is Gary Gero, the president of an environmental nonprofit organization known as the Climate Action Reserve.

We are very pleased to be here today to congratulate you and your staff on the continued progress on implementing AB 32. This is just another example of California's longstanding environmental leadership, and we urge your adoption of the FED today.

Our comments -- and I'll make them brief -- focus on the cap and trade program itself, and in particular, the offset provisions. I'd like to take a moment just to highlight the important role that offsets can play in these kinds of programs.

First, I think it has to be clearly stated that offsets can and do create real emission reductions. They do that at sources that are not traditionally part of the regulatory program, such as forest and farms. And they do that in a way by using the market rather than a direct mandate. I think all of that is important because a

substantial amount of the emissions actually occur outside of the cap. And offsets allow us a way of getting at those emissions and actually reducing them. It also allows us to bring a much broader segment of our economy and our society into this fight against global climate change, a fight that we are all dedicated to fighting.

Second, I'd say real high quality offsets reduce greenhouse gas emissions at a lower cost. And that minimizes the overall program's impact to California's consumers, and it makes the cap and trade system with offsets not only the most cost effective approach to achieving our environmental goals, but the most sustainable goals. What we need is a program that we can stand behind over the long term.

And last on offsets, just to say that the carbon market, in particular, offsets -- and we've heard this from previous commentor -- provide opportunities for new and innovative ways to reduce emissions, and that helps us create green jobs and a green economy.

I'm proud that the Climate Action Reserve is now the largest and most highly respected offset registry in north America. We issued some 16 million tons of credits from 100 projects across the United States.

And in doing so, we have demonstrated that it's possible -- not only is it possible to set the highest

possible most rigorous standards, but you can also do that and establish a market. There is an active market today for the credits you created.

We are proud you're building on our knowledge and our experience. We urge you to adopt today. We urge you to adopt today with setting very high standards for the offsets program and for the registries that seek to be a credit under that program. Registries where you're on the ground, front line, overseeing projects and verifiers. I think that you need to make sure they're knowledgeable, competent, experienced and free of conflict of interest.

So with that, I thank you for your time.

CHAIRPERSON NICHOLS: Thank you.

Diane Bailey.

MS. BAILEY: Good afternoon, Chairman Nichols, members of the Board and staff. My name is Diane Bailey. I'm a senior scientist with the Natural Resources Defense Council.

I'm here today in very strong support of all the great work this agency has done towards the important climate goals of AB 32. ARB continues to live up to its reputation as a global leader on cutting edge, yet pursuing very sound environmental policy in this arena. And I commend you for that.

I also want to commend you for your renewed

commitment to meaningful reductions within the industrial sector, particularly related to the industrial audit measure.

I want to talk to you for a minute today about the role of industrial sector within cap and trade. And this is the area that my colleague Jasmin Ansar discussed with you, as well as the gentleman from WIRA, the independent oil refiners.

California has the opportunity to take the high road or the low road with its design of the cap and trade program, particularly for refineries which are the largest industrial greenhouse gas emitter in the state. One of the key features of the trading program that ensures incentives for its lower carbon products are the greenhouse gas performance benchmarks. And here we strongly support the existing staff proposal with some very few minor adjustments. This is still the superior approach for towards benchmarks in cap and trade.

However, industry has proposed an alternative approach for the refining sector called the Solomon Energy Intensity Index. And this is something that we really ought to watch out for. It fails to include appropriate signals towards a cleaner market with the potential to seriously undermine our climate programs. A good greenhouse gas performance benchmark accomplishes the

following tasks. It's transparent and based on publicly available information. It's output, or product-based, ensuring that California production remains maximized. And it also relies on best in class to maximize carbon reductions and minimize other pollutants.

The staff proposals accomplishes all of these things to the greatest extent possible and can do so better with the following slight modifications, which would be more consistent with the best in class approach and also to adjust for outliers so that refineries with higher carbon intensity are not penalized from the outset. And we think these adjustments again are very minor and strongly support the current staff approach.

On the other hand, the industry proposed Solomon Energy Intensity Index as a performance benchmark is fundamentally flawed. For one thing, it's a priority industry methodology that lacks transparency and accountability. And not all of the refineries in California have participated in this program, which presented a serious problem. They don't have the index and a separate approach would have to be formulated for these facilities.

Secondly, the Solomon Index relies on energy rather than carbon efficiency. We believe this is a very fundamental flaw. We thank you for your hard work on this

sector and hope to continue to work with you. We hope that you will draw inspiration from some of the very heartfelt testimony today, particularly this morning, related to communities health benefits. This is an opportunity to really achieve those health benefits and achieve a lower carbon intensity and lower emissions from our industrial facilities throughout California.

Thank you.

CHAIRPERSON NICHOLS: Thank you very much.

And now Julia Souder.

MS. SOUDER: Thank you very much, Chairman Nichols and the Board and the staff very much for all your hard work.

My name is Julia Ann Souder, and I'm a developer at Clean Line Energy Partners. Clean Line Energy Partners develops high voltage direct current transmission lines around the country and our projects all bring renewable resource to market centers. And what I just want to promote today is that our project will decrease tens of millions of tons of emissions from the air and invest millions of dollars in local communities around the country.

We support the language that the staff has introduced and the proposal outlining the need for transmission lines as part of the solution.

We ask for a little bit of flexibility, as the Governor Brown has stated, that 33 percent for renewable portfolio standards is the floor and not the ceiling. And we hope that as we continue to move forward to continue to bring renewables to market we look both in state and out of state. By doing this, transmission is a key aspect to bring the renewables to market.

So thank you again for incorporating transmission as part of the solution. We're all looking to decrease emissions and toxins in the air and we believe that transmission line and especially high voltage transmission lines can be part of the solution.

CHAIRPERSON NICHOLS: Thank you.

That concludes our list of witnesses on this item.

I believe that the staff, and the court reporter, need a few minutes to assess what they heard and regroup a little bit before they engage in what I know is going to be a lot of questions and answers with the Board. So is 15 minutes enough for you? All right. I'd like to recess.

I want to ask our counsel, we have two people that signed up for open comment period who are here. And I would just as soon listen to them and have them heard now and get that done so we have more time at the end.

CHIEF COUNSEL PETER: That's fine, Your Honor. But then the court reporter doesn't get her break. Why don't we do the open comment now while the staff goes out and then the court reporter can have a ten minute break.

CHAIRPERSON NICHOLS: All right. We're going to call up Tim Haines and Gloria Stockmeyer and then the court reporter can have her break.

Tim Haines, are you here?

Gloria Stockmeyer, are you here?

If neither of them is here, then I guess we'll just go on break. All right. Let's try to be back here at 20 past.

(Whereupon a recess was taken.)

CHAIRPERSON NICHOLS: Our two public speakers are here. We're going to do this now before our discussion about the Scoping Plans.

Tim Haines, are you here? Come on down.

MR. HAINES: Thank you, Madam Chair. I apologize for being out of the room.

CHAIRPERSON NICHOLS: No problem. You weren't expecting us.

MR. HAINES: I'm Tim Haines with the State Water Contractors. The State Water Contractors is an association of 27 water agencies. We receive water from the Department of Water Resources through its State Water

Project and redistribute that throughout the state of California to 20 to 25 million water customers. Included in that are about 750,000 acre feet of agricultural land.

What I would like to do is give you our perspective on the current status of the allocation of the emission allowances and encourage you to remain involved in the discussion as it unfolds.

If you remember, back in December when you approved the regulations associated with cap and trade, you authorized staff to work with the Department of Water Resources, Metropolitan Water District of Southern California, and the State Water Contractors to address inequities that we had identified that was associated with the allocation of allowances. Those inequities arise because the allocation doesn't follow how the costs for the State Water Project water deliveries are incurred.

To try to just put a finer point on that, the allocation of allowances provides 30 percent of the cost that's associated with State Water Project -- I'm sorry -- 30 percent of the allowances that would be associated with State Water Project to utilities in northern California. Our costs that will be borne by our customers in northern California only represent about nine to ten percent of our total state -- of our total cost structure. So the inequity is the windfall that arises for the electric

utility customers in northern California of around 20 percent.

The question becomes: Where does that windfall come from? It comes from southern California. And so what we've identified and included in the comments that we had submitted is that there is a significant wealth transfer associated with the allocation of allowances from the south to the north. And of those costs, about I think 50 percent are associated with the citizens and businesses of the San Diego County.

What we'd like to do is continue to work with members of the Board, with the staff in order to be able to address inequities that I just described.

CHAIRPERSON NICHOLS: Okay. Just to be clear, the procedural basis for that is in amendments to the proposed cap and trade rule. Okay. Thank you.

BOARD MEMBER ROBERTS: Mary?

CHAIRPERSON NICHOLS: Yes.

BOARD MEMBER ROBERTS: Based on what he just said, if I'm going to make it alive through the next week, we better have a good answer for that.

CHAIRPERSON NICHOLS: Okay. This discussion is going to come forward. Do you want to ask him a question right now?

BOARD MEMBER ROBERTS: I'd like to hear somebody

addressing -- if there is even a modicum of truth in what I just heard, I'm just about ready to jump out of my chair.

CHAIRPERSON NICHOLS: Okay. It's a timing question as to when this will come back to the Board to be discussed.

I think Mr. Haines wants you to get excited, and he has. And now you can follow up with him either after the meeting or at some other point.

But it's part of what staff is working on with respect to the next round of proposed amendments to the proposed cap and trade rule. So it's not in front of us right now, but it is an issue.

I mean, it obviously is a big issue for them. That's why they're here.

My recommendation would be that you meet with staff and Mr. Haines and try to become satisfied or not, as the case may be, that this needs to be fixed.

BOARD MEMBER ROBERTS: Okay.

EXECUTIVE OFFICER GOLDSTENE: So we'll follow up with Supervisor Roberts on this issue.

CHAIRPERSON NICHOLS: Okay. If you would do that, that would be great.

BOARD MEMBER ROBERTS: Let me register my intense interest.

CHAIRPERSON NICHOLS: Duly noted. Thank you.

Gloria Stockmeyer, are you here? I thought I was told she was here also, the other public commentor. Not here. Okay.

I guess we're ready to go back to our discussion about the Scoping Plan. And just to kind of reframe what we're doing here, we are here because we want to consider the possibility of improving the environmental documentation and also of re-adopting the Scoping Plan. So the final resolution at the end is going to be sort of a multi-part resolution to the withdraw the Scoping Plan, adopting a supplement, re-adopt the Scoping Plan. All of this is sort of hinged. It all hooks together.

A lot of the comments that we've heard were about details of cap and trade -- the cap and trade rule or criticisms of the cap and trade rule, which is an element of that Scoping Plan. But as I think you heard in the beginning presentation, it is only one element and not by any means the largest piece of the emissions reductions that we hope to get from AB 32.

We also heard from a great number of witnesses of people who took the time and trouble to come here today because of their concern about air pollution in their local communities. And I think the connection between AB 32 and air pollution and the connection between ARB and AB

23 also probably needs more discussion. And I suspect other members of the Board are going to want to talk about these things, too.

But I think it's really important for us and it's unfortunate that we have not had a dialogue with some of the people who were here today around all of the things that this Board and the local air districts are doing in pursuit of reducing exposure to both conventional air pollution and toxic air pollution in their communities between the various toxic rules for air, the SIPs, the State Implementation Plan, and the Board's vehicle rules and our heavy duty rules and our rules relating to goods movement and so forth. We probably take it for granted there's so much going on that everybody knows about.

And it's sort of a bit of a shock when you realize that for many people AB 32 seems to be the only thing that the Board is doing. It's true that AB got an awful lot of press at the time it passed. And there are people who I think may think that AB 32 is the main thing that ARB works on. Even if you work on our agendas, except for this meeting, I think people would realize it's only one of many things that we're working on.

But the other thing that makes it a little bit confusing is that some of the sources that are covered by AB 32 are the same sources that we are regulating for

other pollutants. That certainly includes large industrial facilities. And the role that AB 32 can play, should play in furthering our interest in, our desire to, make good on the kinds of comments that people were making about the right to breathe clean air is a very, very important issue.

I don't think there's anybody who serves on this Board who doesn't believe that breathing healthy air is a right that every Californian should have. I don't think there's anybody here who comes to these meetings not intending to do everything they feasibly can do to make that a reality.

We do have some constraints. We have legal constraints. We have measures that are written into the law concerning cost effectiveness, concerning technology, et cetera, that we also have to observe.

But in putting together the Scoping Plan -- and I think everybody here who was here was here when that all happened recalls that one of the criteria that we used in looking at all the measures in the plan was this sort of an overarching desire to make sure that the measures that we were pursuing for global climate purposes also as much as possible in every way supported our air quality goals. So I just want to be clear that this notion of continually working to improve air quality is imbedded in what it is

that we try to do.

There are certainly, you know, in terms of prioritizing programs, there are some that we jumped onto at the very beginning, for example, port goods movement rule, the port truck rule, which were wonderful because they really dealt both with a very high priority health issue and also had benefits from an AB 32 perspective. I can remember having to deal with that argument when we move forward with that regulation that we included benefits for reducing CO2 as we considered the cost effectiveness of that rule, which is a costly rule. But we counted the fact we were going to get benefits from CO2 from doing something we were also doing because it had important health benefits as well. And we've done that with other regulations along the way. So that's just sort of an overview of where we are.

There were several people who testified who are lawyers, who are litigants suing us either on their own or on behalf of other organizations and individuals who commented about the adequacy of our CEQA analysis. Obviously, that is an issue which is in litigation.

But I wanted to make sure that the Board heard from our legal counsel with respect to the issue of how we've dealt with comments and how we're dealing with the process going forward, just because I want to make sure

there's not any questions about that issue.

So Ellen, could you just --

CHIEF COUNSEL PETER: Yes.

As you recall, the lawsuit was filed in San Francisco Superior Court on the Scoping Plan litigation. The Air Resources Board actually won most of the issues in that litigation.

The community groups appealed those issues to the Court of Appeal, and ARB appealed the issue its lost, primarily alternative analysis, to the Court of Appeal. That's pending. It's going to take a number of months get that resolved. We could have just stopped then and not done anything. But the Air Board decided to go ahead and actually do what the trial court asked us to do about re-examining those alternatives analysis that were laid out in the Scoping Plan.

So that was the lengthy document that was released in June of 2011. There was the response that came out. And we spent a lot of staff time working on that. We consulted with the attorney general's office and also with the contractor that helped us with the environmental document. And in our view, the document is legally adequate in terms of what was presented to and also the responses.

So if there is any questions about that, I just

want to reassure you we had done a very complete analysis of it, and we think it is far and above the minimum requirements of the statutes.

CHAIRPERSON NICHOLS: As far as the issue of offsets that was raised by several different speakers, we are not -- the Scoping Plan itself doesn't say anything about offsets in how they would factor into a cap and trade rule. That will come back if there are any proposed changes when the cap and trade rule --

CHIEF COUNSEL PETER: Right. Every single regulation -- the Scoping Plan -- in some environmental documents it's called tiering off. And you rely on that to go forward. That's not how we proceeded with this particular environmental document. Every single regulation has its own separate environmental analysis and they all stand on their own. And they all are, we believe, adequate.

So with respect to the cap and trade regulation, there is a separate environmental document that will be actually considered by the Board. And if they choose to go ahead with the Scoping Plan and pursue the cap and trade regulation, that will be later this year. Similarly, there's other environmental documents. In fact, the cap and trade rule that's out there right now does not have any action on REDD offsets. And one of the

things that people mentioned. If the Board choose to pursue cap and trade, if the Board chooses to proceed with the rulemaking that's out on the street right now on cap and trade, you still -- there's nothing on REDD in that current -- there is a reference to it, but there's no action on that.

So all of those things would be done in separate rulemakings, which would be amendments to the cap and trade rule if you chose to go down with the scoping plan and with the cap and trade rule. So there will be additional environmental review of the offsets and particular of the REDD program as mentioned here today.

BOARD MEMBER SPERLING: I guess I didn't fully understand that. When do we actually take action on offsets? What is the actual -- so what you are saying is we have not -- I thought we had taken action on offsets.

CHIEF COUNSEL PETER: On the offsets, the ones that are already in the program with the protocols that we considered, how those protocols fit into the cap and trade and if they get credit for it, those will be part of the next rulemaking. If you add different offsets to it, in particular, REDD, you would have to do an additional rulemaking and that would allow those to come into the program. And there would be an environmental analysis for that action separately that is different and new based

other than the one you have before us.

CHAIRPERSON NICHOLS: I think the staff had a couple of comments that they wanted to make just to wrap up some of the issues that were raised during the public comment. And if Edie you want to do those, then I'd like to throw it open to the Board members.

ASSISTANT CHIEF CHANG: Okay. We heard a lot of comments today, and we believe that we responded to all of these issues either in the supplement or in the response to comments. But there were a couple ones I just wanted to highlight because they were areas that either came up very frequently or folks were very passionate about them.

One was the increase in co-pollutants. And as we mentioned in the supplement and in our response to comments, we have done an analysis. We believe it's very unlikely that with existing air quality programs that we would see increases in co-pollutants as a result of the cap and trade regulation or as a result of the proposed Scoping Plan.

With regard to localized CO2 emissions, reducing CO2 emissions would have a small impact on ozone and PM2.5 levels, on the order of about half a percent compared to a 30 or 40 percent reduction that we've seen over the past 10 to 15 years in California's urban areas.

I also want to mention -- I think I mention

announced the presentation we're looking at a regulation to take the results of the industrial efficiency audit and make sure that the cost effective measures that we've identified in that audit are implemented and that we see the localized air quality reductions from the industrial facilities that are covered by that audit.

Lastly, as we mentioned in the presentation and as some of the speakers mentioned, we're also committed to an adaptive management program to look to see if we are wrong -- we don't think we are. We think it's a remote possibility. If we are wrong, we want to make sure we're monitoring so we can catch that and figure out what we need to do. We're going to be working with some stakeholders here to come up with a robust plan for adaptive management plan for localized air quality impacts.

CHAIRPERSON NICHOLS: When would the details of that come back to the Board?

ASSISTANT CHIEF CHANG: In the fall.

BOARD MEMBER BALMES: In the fall, so specifically which meeting?

ASSISTANT CHIEF CHANG: In October. We need to have the plan done in October.

In terms of the alternatives that we chose to evaluate, we heard some discussion about other

technologies that are out there that we might want to evaluate. We think the range of alternatives that we picked was a reasonable range. It sort of bracketed the different policy options that you have in the Scoping Plan.

I did want to emphasize that the Scoping Plan is a very flexible document. We will continue to always look for new options and new technologies that can reduce emissions. I think we mentioned there are a lot of pilot programs that we are funding, a lot of different things we're following in terms of research and deploying pilots. And to the extent that we can deploy them on a larger basis, that's something we're always interested in and it's something that the Scoping Plan and the structure of the Scoping Plan allows us to do.

CHAIRPERSON NICHOLS: Just to be clear, it's not the Scoping Plan that limits us. So if you find a technology or someone brings you a technology and we think it works and it's cost effective, we can adopt it regardless of whether it was within the Scoping Plan or not.

ASSISTANT CHIEF CHANG: Yes, ma'am.

With regard to offsets, should you decide to proceed -- we did hear some discussion about offsets. And should you decide the proceed with the Scoping Plan and

the cap and trade approach, we are considering some modifications to reflect some of the concerns that you heard today regarding additionality and also with regard to additional review of protocols as we move forward. So we're continuing to work with the stakeholders who express concern about offsets.

Chief Counsel has already discussed REDD. It came up a couple time. I want to emphasize there is a placeholder in the regulation for REDD. Right now, if you decided to go forward and we went forward with the regulation as it is proposed right now, you cannot use REDD credits. You would not be able to use REDD credits. That would be a new program that we would have to bring back to the Board. We're aware there is activity going on to try to scope out that program. And if we decided to move forward with that, that would be a new Board action with a new environmental analysis.

And then the last thing I wanted to address was the EU emission trading scheme. It came up a couple times in the testimony today. Folks basically saying this is a program that hasn't worked in Europe and why should we take the same path they have when it doesn't work. It's simply not true that the EU ETS has not reduced emissions. It has reduced emissions. They've seen a 500 million metric ton reduction from 2005 to 2009.

There have been some problems with the EU ETS. The two biggest problems were over-allocation of allowances and the windfall profits. And on both of those points, we've taken a different path.

On the over-allocation of allowances, you all adopted a mandatory reporting regulation in 2007. So we've been receiving emissions information or two or three years now. So as we are allocating our allowances, we are not going to over-allocate because we know what the emissions are in California.

On the second point of windfall profits, we're moving from a program and transition from a program that relies on free allowances at the beginning into an auction program. And we are not allocating freely to the electric generation utilities as they did in the EU ETS. Other programs are also moving more to auction to try to avoid these problems, but we have learned from them.

So I think these are all the issues that we have.

CHAIRPERSON NICHOLS: Okay. Thank you.

So now it's back to the Board really to talk about the alternatives, the proposed Scoping Plan versus the other alternatives that were identified and evaluated.

And maybe I'll just kick off the discussion by saying that from my perspective, I did not start out my time at the Air Resources Board as a fan of cap and trade.

I had a lot of doubts, as I think most of us have had. And I still do because I think it's a complicated and difficult program to administer.

I feel like we have reduced the size of it to the point where the risk that's involved frankly one way or the other is not that overwhelming because we have so many other direct regulations that we're really relying on in the plan to get us the reductions.

But still, it is something that we're launching that's new. It's a form of California leadership that also involves some risk that it might not work or that it might be more expensive or less effective than we intended it to be or even -- although we don't think so, staff certainly does not think so -- could have consequences that are not completely capable of being understood at this time.

But I feel like the analysis that's been done and the work that's been done on the program overall has substantially decreased those risks. However, we're not finished with the design of that program again. If the Board adopts the Scoping Plan, we still have some very major pieces of work to be done before the end of the year to even begin to move forward with the cap and trade rule. And those include the design of the market oversight and monitoring program. They include the design for what to

do with the revenue from the auction, including the community benefits fund notion that we've talked about in the past, as well as ways of investing revenue in protecting rate payers and incentivizing new technologies, which is where we all know we have to go to achieve the results.

And we have some other pieces of the allocation work. We heard some stakeholders today who have issues about how allowances would be allocated under this program, including recently just now in the public comment period from the water agency. So a lot of work left to be done if that program is to go forward. The Board will have it back before it for further review.

But the fact is this is a time to consider whether there is some other combination of measures or some other measure or combination of measures that would do a better job of getting us those reductions without the kind of concerns that have been raised here. Because if you were just going by public response to the term cap and trade, you'd have to say that would not be a winner. That would not be a winner, although I don't think anybody has done any polling on cap and tax to see whether that one would be more popular. But be it as it may, the whole notion of anything that involves a market-like approach in a pollutant obviously raises major concerns for a lot of

people as to whether that's the right thing to do.

And I think if we were dealing with a localized air pollutant directly, if we were regulating toxics, for example, I don't think we would be in the position of even talking about this as a possible approach.

So for me, the thing that is the factor that I tend to gravitate towards is the notion that by creating a program that the Air Resources Board itself can implement that puts a price on carbon, we are doing the one thing that developers of alternative technologies, people who are in the business of trying to and have been for many, many years of proposing alternative technologies tell us time and time again, which is that none of these things will become cost effective. None of them will actually get implemented to the full extent they could without some mechanism to put a price on carbon. There are just not enough ways to regulate or force people to give up business as usual. And business as usual is very deeply imbedded with our addiction to oil, our current addiction to using gas and oil to fuel our economy. And where we need to go is to a place where they do not, where our economic success is not dependent on oil and gas.

And so by adding that piece onto the program, what we were told by all of our economic experts was this is the way to achieve that result, in combination with all

the other things that you're trying to do in this plan, that that element is a critical piece.

So that's why I have come to the conclusion that this is still the most viable of the alternatives for achieving the overall goals of AB 32, which I think everyone who spoke today remains very committed to. California's leadership on this issue of reducing our impact on the global climate is something that Californians rally to.

So the question is are we doing it in a way that actually gets those results with the fewest possible unintended consequences.

So I guess I could just start anywhere. So do you all want to speak or raise your hands? I'll just start down at the end. John.

BOARD MEMBER BALMES: You want me to go first?

CHAIRPERSON NICHOLS: Yes.

BOARD MEMBER BALMES: Well, I, too, came into this not being particularly convinced that cap and trade was the way to go for the portion of the Scoping Plan approach to the overall reduction of greenhouse gas emissions.

Again, I emphasize as our Chair just did the market mechanism is only a portion, and actually a relatively small portion of the overall greenhouse gas

emission reduction approach that we have in the Scoping Plan that's before us.

In just listening to the testimony today, I remain concerned about a lot of the complexity of cap and trade. I think it's no secret that I really prefer a carbon fee approach because I think it's simpler. I realize there are conceptual problems in that we wouldn't -- under a carbon fee approach, we wouldn't necessarily know what kind of emission reductions we would get. Where, with a cap program, we do.

But to me, the fact that it's simpler I think to administer is -- and I think less easily gamed is a strength of the carbon fee approach.

However, I think politically a carbon fee approach is unfeasible -- infeasible in the current political and economic environment, even though I think if it was a cap and dividend kind of approach or a fee and dividend approach, like in British Columbia, it potentially could be sold politically.

But I think my assessment of the realities in California with regard to both politics and economics given the downturn we're all experiencing is that it's not feasible. So even though I'm attracted to that over cap and trade, I actually do think that cap and trade is the viable alternative. And I think direct regulation is not

the way to go and also would be fairly politically infeasible.

So with the big picture, I like -- I shouldn't say I like, but certainly lesser of evils -- seems like the usual political choice these days -- so I'm okay with the Scoping Plan with a cap and trade mechanism.

To my environmental justice friends, I consider the environmental justice community an important stakeholder for me in particular as a Board member, since I'm the public health member -- I really think you guys have it wrong about the impact of the cap and trade on local pollution. I'm as concerned as anyone about local pollution being increased as a result of cap and trade. I just don't see it to be the issue that you seem to think it is. I think you guys should continue to fight for environmental justice and to reduce co-pollutants in your communities, and I stand with you in that fight. But I just think cap and trade is the wrong battle ground.

And I really appreciate what Edie just said about the adaptive management approach. I would like to see us do periodic reviews of the entire cap and trade program at every compliance period. Not just local pollutant concerns, but you know offset concerns, carbon price, market gaming concerns. So I would like to see, as we usually do with regulations, having a periodic review,

this Board and agency prides itself on trying to base regulation on evidence. So evidence, you know, this -- we are starting something new. We need to have evidence as experience develops before us to make changes when necessary.

And I also appreciate what Edie said about the industrial audit, which is something -- it's a feature of the Scoping Plan that I was very supportive of, strongly supportive of. And it gives us a chance to get data about the pollutants that are being emitted by the greenhouse gas heavy emitters.

Armed with that information, we can take action to remediate if there turns out to be what I don't expect to see, but could happen, increased local pollutants.

So I'll try to wrap up my comments. But even -- I'm a little bit unclear about when the Board gets to really wrestle with issues regarding offsets, for example. But just since the staff's --

MR. NEWELL: Dr. Balms, I just want to point out you can disagree with us about it increasing pollution. Our point is that it avoids an opportunity to reduce co-pollutants because offsets and allowances --

CHAIRPERSON NICHOLS: I think that was made clear, Mr. Newell.

MR. NEWELL: Excuse me, but I just want to make

the record clear.

CHAIRPERSON NICHOLS: I'm not excusing you. You're out of order.

BOARD MEMBER BALMES: I appreciate your comment, and I agree with you. We should be trying to reduce pollution. That's actually in AB 32. And I think that's the intent of the industrial audit is to give us opportunities based on data to try to reduce co-pollutants to make sure they're not increased. I think your point is well taken, even if you were out of order.

So just some general points about offsets to help guide the staff at least how this Board member is thinking. You know, probably because of political pressures and the economic downturn, we're being pretty generous about offsets. We're also being generous initially about free allowances, except in the electrical utility sector initially. I realize we're ramping them up. That means I think we have to be very careful about the quality of offsets, number one, which I think staff appreciates.

And I think we need to do periodic review of protocols. We need to track how well we're doing because I'm concerned about additionality above business as usual. And I actually don't understand why we can't lower offsets over time in different compliance periods. To me, offsets

are there to allow business to be able to deal with cost containment early on in the program. But it seems like if we are trying to incentivize people to make the big investments to stop relying on fossil fuels, which our Chair pointed out is one of our goals, that in the later compliance periods, we ought to be able to have lower offsets.

So I guess those are my overarching comments.

CHAIRPERSON NICHOLS: Great. As far as the opportunity to re-shape or further shape the cap and trade rule, that does have to come back before the Board. It cannot be implemented until the Board actually finalizes work on it. So your comments are well taken and timely. And I trust that the staff will respond to them as part of any preparation that they will be doing after today.

EXECUTIVE OFFICER GOLDSTENE: Chairman Nichols, I'm wondering if it might be helpful to ask Rajinder to talk a moment about the quality. You can do that later. We can collect all the comments or we can comment as we go if Board members want a response.

CHAIRPERSON NICHOLS: Okay. Do you want to hear what the staff is thinking about the offset quality issue right now? We can do that. That's okay.

BOARD MEMBER BALMES: As long as it doesn't take too long.

CHAIRPERSON NICHOLS: It might be helpful because other people may have comments as well.

PROGRAM OPERATION SECTION MANAGER SAHOTA: I'll keep it very brief.

When the Board endorsed the regulation back in December 2010, you endorsed the concept of offsets as an important cost containment mechanism for the overall program. AB 32 lays out very strict criteria for the quality of offsets. We believe the rule when it was put forth in December embodied those principles and had set a high standard far offsets.

As we continue to move forward, we're going to refine those quality criteria just to make sure that we alleviate some of the concerns that the stakeholders have. We are going to continue that process and try and strive for even better than what we brought to the Board in December.

BOARD MEMBER BALMES: My comment is the devil is in the details. I accept the staff wants to have a high quality program with regard to offsets. But you know again, we have to see the details to judge it.

CHAIRPERSON NICHOLS: The one that's probably the most difficult is the one they be additional. What is the base line that, of what you're additional to. The other aspects of other offsets are relatively straight forward.

You can judge whether they're okay or not okay. They're pretty objective criteria. The one that has proven to be the hardest is the one to say is this really something that wouldn't have happened but for the existence of this project that you're trying to give offsets to. It is hard, especially in the area of biological offsets.

DeeDee.

BOARD MEMBER D'ADAMO: Okay. I supported the Scoping Plan when it was before us. I think we all did. And I came into this actually fairly intrigued about cap and trade and felt it was a mechanisms that could be used to create a successful program. So I was sort of pre-disposed in favor of cap and trade every step of the way.

I feel that it's extremely complex. I feel sorry for what staff is going through. But I think they've done a terrific job trying to be nimble and work with so many other experts to try to put together a program that will be successful.

But I did take today's assignment very seriously. I felt it was important to be open-minded to all of the different alternatives.

And I just want to say for the record I've reviewed the staff report. I reviewed the alternatives, and I'm still convinced that we're headed in the right

direction. So I support the proposed Scoping Plan.

Looking right now at page nine and ten that goes through, it's that chart we're all using. And what I really like about the Scoping Plan is that it's so comprehensive. And I agree with what Dr. Balmes said. Cap and trade is just a portion of it. And it's important that we get that right.

But in the mean time, there's all these other tools in the toolbox. For those that favor regulation, there's some direct regulation. For those that favor voluntary measures as a way to move forward -- and I'm a strong believer in voluntary measures. And I think that if the offset program is done correctly, we're going to see a lot of emission reductions in that area. And then, of course, all the programs that we're doing with our sister agencies that will get us toward the emission reductions.

With respect to the specific alternatives, my own criteria was just looking at each one, the likelihood to achieve the emission reduction targets, how cost effective the alternatives were. And a big issue for me is leakage because it's becoming sort of a term of art but of course I think that we're all very sensitized as we adopt regulations about the concern, especially in this environment of businesses going out of state. So that was

a big one for me as I went through. I just don't think any of them meet that criteria, except for the proposed Scoping Plan.

And I do want to call out on alternative two removing the advanced clean car program. That's a crucial component of the Scoping Plan. I can't see going forward without that.

And then with respect to the carbon tax or fee, I agree with what Dr. Balmes said as far as the feasibility -- political feasibility and economic feasibility. But then in addition, we don't have the authority to adopt a tax. That authority exists with the Legislature. And just going through the budget, we know that is just not going to happen. So if we want to call it a fee, then we are constrained with how we collect that fee and how we distribute the proceeds from that fee. And so what may appear to be very flexible quickly becomes a very inflexible tool. And I think we need to be very flexible and be moving forward on a program where we're actually going to see the emission reductions. Again, that's the proposed Scoping Plan that's before us.

So thank you, staff, for your excellent job in going through the alternatives. And I look forward to moving forward in October as we talk about the issues that's not before us today, and that is finalizing the cap

and trade rule. And all I will say on that is there are a number of items that I'm working with staff on and just want to make clear for those stakeholders that are concerned as we go forward with this next round of 15-day change, I'm open to hearing from any of you directly and want to do what we can to get that rule in the best shape possible when it's before us in October.

CHAIRPERSON NICHOLS: Thank you.

Dr. Sperling.

BOARD MEMBER SPERLING: So I want to emphasize even more the accomplishment of the staff in creating this process. And it's been a multi-year process to get where we have. I remember all those delegations that have come in from Europe, all those meetings that have happened over years to try to figure this out. And the amount of work that went into it, the amount of creativity is extraordinary. And so it's very impressive.

Now, having said that, you know, I think we've learned a lot. I think the staff has learned a lot. We've all learned a lot from Europe. As we just heard before, they've -- I think overall you call it a success, but they have had some problems along the way. We've learned from that.

So in the end, I see what we have here is a mix of regulatory instruments and market instruments. And I

think if there's anything we've learned, you know, over these years is that's the way to go. Even if we had a full-blown carbon tax, a huge carbon tax, we'd still need some kind of regulations to deal with particular industries or technologies where there is market barriers, where the market is not working well. So I think the discussion should not be, you know, all regulatory.

On that end, I think there was this little experiment that took place over 70 years in another part of the world called the Soviet Union where they tried to create an economy based on rules. And I think that was well agreed that was a total failure. And so when you're moving into dealing with the economy, there's just no way you can't have market instruments. It just doesn't make sense in any way whatsoever.

Now, the difficult part, of course, is coming up with that mix of market instruments and regulatory instruments. And there's no way -- there's no definitive answer how to do that.

My take on it is that I'd like to make sure that we do stay focused on making sure we are sending strong market signals and creating policy that will lead to -- will stimulate innovation, will lead to more investment in better technologies and changes in behavior. And the best, you know, way ultimately is through market signals.

So, you know, I can see as we go through this process that we are going to want to maybe not in the next few months, but as we go through this be thinking about how to do that even better. So I can see ideas like fee bates, which is the idea of where, like, with the vehicle but you can do with other product where if it's high polluting, high energy using, then you pay a fee. It's low polluting, you get a rebate. And that sends a strong market signal.

And we have regulations in place with vehicles, so in the near term I think we are in good shape. It's been a great role that ARB played with the White House and the federal government in vehicle regulations. But I do think we need to keep that on the table and come back to that.

So in that sense, I'm a little more positive about Dr. Balmes' about the role of market instruments. But I think he grease in some part on that.

So a few specific things. With the offsets, you know, kind of using that same way of thinking, my concern with the offsets is more -- the quality issue is an important one. Additionality is really important. Got to get it right. Some of the international CDM process that was used internationally had some -- has some problems and flaws in it. We got to do it better. So additionality is

an issue.

But at the same time, I'm concerned we don't have enough offsets, that they're not going to lead to new investments and new technology. What we want to be doing is unleashing innovation. We want to be unleashing the marketplace, creating entrepreneurs that are going to come up with creative solutions that we can't imagine. And we want to create a framework for them that will enable even to facilitate that.

Another thought: Updates. Because this is so complicated, I think we're building into the process, you know, reviews and so on. But we've got to really be diligent about that. And partly it's to having a process. I'm not even sure the answer to this. But the extent to which tweaks can be made by the Executive Officer when it goes to the Board. And I guess I haven't been deeply involved in that discussion. But hopefully someone has been, and that's in good shape.

And last, the last point is about on the revenue side, I'd like to suggest -- and I don't know if this has been formally done or not. But I'd like to make sure that the staff does put together a proposal for how the revenue from cap and trade could be used. Of course, that's going to be -- the Legislature is going to make that decision in the end. But we should weigh in on that. I think we've

come across here some ideas today. You know, there's been work in the past where disadvantaged communities for research for cities through the SB 375 process that could be rewarded. So I think that we could actually contribute a lot to that. So I look forward to that. And I have lots more ideas but --

CHAIRPERSON NICHOLS: Good. Okay.

Mayor Loveridge.

BOARD MEMBER LOVERIDGE: Three excellent statements. Let me not repeat what they've emphasized other than to say, to start, I support the recommendations before us and agree with Dan Sterling about the good work of staff and the confidence in it.

Just five very quick comments.

One, the Scoping Plan, at least in my context, is really an historic plan. I've been teaching state and local politics now for a long time. I don't think we've had anything like the Scoping Plan adopted by the State of California. I mean, it's a big deal. It's just not another plan. This is a big deal. It's sort of an environmental and economic kind of game plan for the state.

Seems to me we need to go forward with the cap and trade. I think may not be perfect. It may be complex. But it's very clear there are many eyes on this.

And it's obvious it will be reviewed and monitored. There will be a number of changes as we go forward. And I think we've learned from other experiences.

On offsets, in addition to the comments raised, I asked a question before. I'll just ask publicly. There was some comment about having local districts work on protocols for offsets. Is that invitation still there or is that closed? I just --

PROGRAM OPERATION SECTION MANAGER SAHOTA: We've talked with air districts about involving protocols. We'll continue our discussions with them.

The challenge is coming up with a protocol for a project where we are not already regulating that source in some capacity. So we are continuing those discussions. We do want to partner with them where we can.

BOARD MEMBER LOVERIDGE: So there are district conversation going on on this issue.

Last just two things. The one thing disappointing about AB 32 and what the Scoping Plan represents is that I think what we talked about here today should also be connected with the good work with the state administration and its different agencies and departments. So this is not simply something that the CARB Board is doing, but this is really an approach to make California a green state. And I think that needs to be framed not so

much by our Chair, but outside of the Chair.

The last is just there is a lot of criticism of what California is doing is having a heavy hand of regulation. I think as we go forward in this, we ought to figure out ways to celebrate successes. Not just adding new regulations. But there are good consequences in health and the economy and community that need to be celebrated.

CHAIRPERSON NICHOLS: All right. We'll start down at the other end now, Supervisor Roberts.

BOARD MEMBER ROBERTS: I was so sure you were going right in order.

CHAIRPERSON NICHOLS: I know. Shook you up.

BOARD MEMBER ROBERTS: There will be absolutely nothing left to say.

Well, Mary, your initial comments about being a little cynical toward cap and trade when we started I think mirror my own feelings 100 percent. I think it probably causes us to feel we need to be really vigilant as we're going forward with any type of cap and trade program.

I looked at the alternatives. And I was kind of ambivalent about -- it was a combination things that maybe you take a little bit of this and a little of that. And at the end of the day, you know, that's -- maybe we're

taking the worst of everything too and combining it.

I know some of us are afraid to say carbon tax. We say carbon fee, like it's something different. And therefore we're not guilty of having a new tax. If I thought that was a solution, I think I would say let's do it.

I do have concerns about this as we go forward. I don't feel uncomfortable with the 8 percent offset. I do feel a little uncomfortable maybe in how we control that and where those things are occurring. I'd almost like to think maybe offsets shouldn't qualify unless they're in a state or a province that we have an agreement with and that they have a similar program. So we restrict the region of the world where we're going to be doing those. I don't know if any thought has been given to that.

But I feel uncomfortable sometimes with dealing in far away places with governments that are not real dependable and circumstances could change overnight. I don't know what you would do in those cases. But I think we need to really give some thought to that, not only transparency and viability but really sustainability is I think very important.

You know, when all is said and done, the health benefits are going to come out of the other parts of the

world that we are dealing with. I should say the other policies decisions that we're going to be making as we look at those specifically and directly at those pollutants that are affecting health and areas throughout the state.

I heard the testimony and I think some of you know from my prior comments to the Building Association in San Diego when they said you don't have to worry about asthma, asthma is being shown it's just for people who are overweight. Well, that may be the case for me because I do have asthma, I don't think that, you know, that's the solution. I think there are things that are environmental things that are contributing to that. But I think that more directly and being an Air Board, a District Air Board member as opposed to Air Resources Board, I know we're dealing with those things every single day. And our actions and our policies at the local level make a big difference.

One of the reasons why this Board has been so successful, it has had significant incremental change sustained over a long period of time. We don't change a road overnight. We haven't had -- I guess depending on where you sit and how you look at it, I wouldn't say we've been draconian in the policies. We've tried to work with industry. We've also looked at how we can change and get

measurable results.

I think the same is true here at the end of the day. We want to know we're getting the measurable results. And I think the cap and trade program is going to give us the best opportunity to do that, at the least cost. And it's not just letting, you know, corporations off the hook and doing this on the cheat. That affects all of us. We got to stop thinking that, you know, if our businesses are able to do business at, you know, lesser cost, that's a benefit to us. That's part of what's wrong with California today. We're ignorant of that fact and we're losing too many businesses because we are willing to say that's okay. And it's not okay. If there is a way that we can get the benefit at a less cost, than we ought to do it. We ought to have those most effective rules.

I think this gives us the opportunity to do that. And I think a lot is going to depend how we go through the next steps and stages. As you saw, my ears perked up when I heard that San Diego might pay a disproportionate amount and money might get shifted from San Diego to northern California. You will hear an explosion here if we don't have good answers to things like that.

But I'm willing to -- I'm expecting that we'll work through with staff and we'll find solutions that are equitable. At the end of the day, what we want to know is

that in every community we're seeing improvements in not only in health-related pollutants, but in this case specifically in a lowering in emissions of CO2. The collateral benefits are going to be there. There's no question. Even with offsets, the collateral benefits are going to be there. Because there's still a significant -- as that cap gets lower and lower and lower, it's going to happen. And I think that's the thing -- this gives us, it seems to me, a process that is manageable from the standpoint of performance and results that we would like to see.

So I feel comfortable in going along with the recommendations that are here before us today. And I think as more people understand what is actually proposed and what the options are, I really think that this is the best by far of any of the things before us.

CHAIRPERSON NICHOLS: Ms. Kennard.

BOARD MEMBER KENNARD: Thank you.

Firstly, I'm different from some of my fellow Board members. I came in with no pre-conceived notion about the value or lack thereof of cap and trade.

I'm very troubled about the level, the breadth, the number, and the passion of people that testified against cap and trade, particularly from the communities of color. And I listened intently to all the testimony.

And I had a lot of initial questions, many of which have been answered by staff, particularly the failure of EU system. I think that the cap and trade program there, although not perfect, I think that ours may be constructed to tackle some of those vulnerabilities. And I thank staff for really looking at that, the failures and the successes of the European program, because it's really one of the few models that we have.

I think it was best said -- and I'm going to give credit to Alex Jackson and NRDC that this is really cap and trade is just one of the many tools in the toolbox. And so I think it is in large measure is a valuable tool. And if we take it in the context of the entire toolbox, it is just a small component of it. And if you take that whole toolbox, the aggregate gives us the best chance of reaching our collective goals.

So I'm very comfortable with where we are today, although it as very challenging. It's very complex. I think there are a lot of pieces that still need to be addressed.

And I do want to in one way very much applaud staff for getting us to where we are now. And I probably am, as the Board members, the most compassionate towards staff, because I've been on your side, as I mentioned before. And I know how difficult it is to work in the

trenches and do this very, very hard work and come to a public hearing and hear not so positive things every day when you know you're making a really, really significant impact.

But if there is one failure, I will say that we collectively have not communicated well the program. And I say that because of the amount of people that I think really didn't understand what we were trying to accomplish here, we will hopefully accomplish here based on a theoretical vote of this Board. I know there's been lots of attempts to communicate well and differently. But nonetheless, it was a failure of communication because I think there's a lot of misperceptions about what cap and trade is and what it isn't and the relative impact it may have on certain communities.

And then the other part of what we're trying to accomplish that will solve some of the problems and concerns that these communities have. So I just encourage you to continue the dialogue and reach out to those communities so maybe going forward they have a better understanding of what the benefits of cap and trade will be and the entire Scoping Plan.

CHAIRPERSON NICHOLS: Supervisor Yeager.

BOARD MEMBER YEAGER: Thank you.

It's been a very educational day, certainly with

all the comments from the public and comments from Board members. And I think it just shows how much our state, our residents, and this Board take these issues that are before us as seriously as we do. I think it's been an excellent discussion.

I'm the newest Board member. I know that the Board approved the Scoping Plan in December of 2008. And I came on board January of 2009. So I can't take the credit or the blame I suppose. So I certainly don't come into this with any pre-conceived notion, not having voted on it before.

And whether it's a fee or a tax -- I think I would probably lean towards more a carbon fee. It's just easier to do. But that isn't what is going to happen.

And so as we look at the various alternatives, it seems that cap and trade will enable us to meet many of our objectives.

I thought someone else mentioned it, so I'm going to keep my comments on different aspects. The partners from Canada here, congratulations. I think it just reminded us that the whole world is watching. And particularly with cap and trade, we do need other countries. We need other states to be involved in this. Oftentimes, we get very focused on neighborhoods or different parts of the state, but this is a worldwide

issue that we are all dealing with. And cap and trade allows us to once again be on the forefront to try to do it right. Learn from the EU and to get more partners involved. And we certainly want our Canadian friends to know that we are with them in this endeavor.

And I think that's one of the things we get with cap and trade we don't get with the other alternatives. I just thought it was very important to mention that. Certainly when you think of what we're doing with the low carbon fuel standard, just a lot of things that we are front and center on. And it's got to be exciting for Board members, for staff to know that we're taking the lead. Other people are much too nervous or worried about political consequences or just disagree whether there is even any issues with global warming. We are foraging ahead.

I think my one biggest concern -- and I certainly talked with staff yesterday. And maybe you might want to mention it a little bit more -- that the time is short between now and our October meeting. And certainly we've heard many of the issues that are going to be involved with cap and trade. Certainly the offsets and monitoring and verification, all of those types of issues. I am just wondering if somebody could spell out in a more public way what the process is going to be, when is staff going to

respond to the first 15-day issues, and then when is the next round of the 15-day changes so we can, as Board members, give input back to the public as well.

I mentioned a lot of this is going to change. It's so important we do it right, that all this is vetted as much as possible ahead of time. Because I'm afraid as some of our friends in the environmental community have mentioned to me, that if there is just one or two aspects that are wrong or that people don't take very seriously, the press will focus on just those issues. So I just think the next two months are going to be very important. And I think we all need to know at what point we can weigh in.

CHAIRPERSON NICHOLS: I think I can see where this is headed. And I'd like to sort of bring this part of it to a conclusion and then have staff sort of explain what they're thinking is, assuming that the Board does adopt the Scoping Plan. Because if we -- October is the next time this rule is coming -- this rule, meaning the cap and trade rule, is coming back to the Board. But it's not the end of the process of adopting the program.

EXECUTIVE OFFICER GOLDSTENE: That's right. We can go through that now. I don't now if you want to have Ms. Berg make comments.

CHAIRPERSON NICHOLS: Let's just finish this and

then we'll go the staff.

BOARD MEMBER BERG: Thank you, Chairman.

I'm very appreciative of the very thoughtful comments that my fellow Board members have made. And I'm in agreement with those comments.

I would like to take a little different approach on my comments. What I felt today was a real frustration from a handful of communities who are living day to day with an unfair disproportionate exposure to pollution. And this keeps coming up in front of our Board from time to time over various issues, when there is the railroad MOU, whether it's the diesel discussions, and now AB 32. I think that what we see from the very thoughtful comments from the community that they were very hopeful that AB 32 might be a silver bullet that would address not only greenhouse gas but those co-pollutants that are needed in that communities.

And we've talked from time to time before on these very effective communities and what we can do for them. And I think that outside of AB 32 -- AB 32 is one tool in the toolbox to this entire fight for these communities. And I think through things like the energy efficiency and co-benefit assessment that you referred to, Chairman, on the large industrial facilities, that we're going to be looking at, I think that when I look at the

Coalition for a Safe Environment, their myriad of suggestions here, I think that they had I think about six pages. Every one of these are good movements, both diesel oriented with probably greenhouse gas co-pollutant benefits.

I think we have to find a way -- and I agree with you, Ms. Kennard, on being able to review these things and communicate to these communities what we're doing more effectively. And I think as best as we can -- like, we have an Ombudsman for the small business, maybe we need to look at some sort of mechanisms to be working with the EJ communities on a holistic approach. And maybe it is a one-on-one approach rather than one-size-fits-all. And I don't know what the answers are.

But I'm challenged every time we have a meeting like this and to be able to celebrate the successes like Mayor Loveridge said and identify where we are winning the battle. But likewise to identify where we're not and figuring out what truly the options are.

So even though these comments are outside really of the Scoping Plan, I guess I wanted to make the point that we once again did hear the communities, that we understand the frustration. I won't say we understand because we don't live in those communities. And we'll stand vigilant to try to keep figuring it out.

So with that, I'm also in support of the Scoping Plan where we're going today.

CHAIRPERSON NICHOLS: Okay. Well, thank you. Let me just add a couple of things that maybe tie a few loose ends together.

First of all, to Dr. Sperling's point about the revenue issue, the staff is working on a position paper. And I'm hoping that the audience for that will be as part of the Governor's budget, because I think that although if the program were to begin in 2012, there wouldn't be any significant revenue coming in until, you know, end of 2012, beginning of 2013. It's not that far off. And it would be good to start planning for what to do. And certainly part of the key to success of the program will be if the allowance value gets redirected in places where it needs to go, which certainly does include communities that are identified as being in particular need of help from an environmental perspective.

To Ms. Berg's comment about what else could we be doing and also tying into Mayor Loveridge's comment, I just wanted to mention that one of the things that the Governor I know has been working on and has directed his new Cal/EPA Secretary to work on is creating a more comprehensive environmental justice approach. And although there has not been a person yet chosen for this

position, there is a slotted position for a Deputy Secretary of Cal/EPA for environmental justice. And the goal of that position I believe is to really develop a more holistic program. Because as I think a number of people who came here and testified today pointed out, air quality is not the only environmental issue that people are dealing with in many of these communities. It may be the most important in some. In others, maybe water quality is more important and direct exposure to toxins. So it wouldn't behoove us to develop separate programs in each Board and department if there are more efficient ways we can work together.

I think one piece of that that has been identified over and over again both in environmental justice communities and in tribal communities and on tribal land is enforcement of existing rules and regulations, which are oftentimes not so aggressively enforced in some of the places that need it the most. So I think that is an important piece of business, which we will be involved in, but not necessarily at the head of.

So just with those last comments, I think we should give the Board a feeling of what will happen, assuming that we do vote to adopt the Scoping Plan. Do you want to talk about what the next steps would be?

EXECUTIVE OFFICER GOLDSTENE: We can do that now

or you can act first.

CHAIRPERSON NICHOLS: Why don't we just do it. So we have a resolution in front of us, which is a multi-part

BOARD MEMBER D'ADAMO: Move adoption.

BOARD MEMBER SPERLING: Second.

CHAIRPERSON NICHOLS: And seconded. All in favor please say aye.

(Ayes)

CHAIRPERSON NICHOLS: Any opposed? Okay.

Now, to the staff. What comes next, Mr. Goldstene?

EXECUTIVE OFFICER GOLDSTENE: We have just finished a first 15-day change process. And we hope by the end of next year to begin the second 15-day change process on the rule that you considered and acted on last December.

We have, I think as you all know, one year to complete a rule and the deadline to complete the cap and trade rulemaking is October 28th. And our meeting is October 21st. So when we bring the rule to you, there won't be an opportunity to make changes at that time at this point. So we're right now in that process during the 15-day change process where we can make adjustments. And I know working with many of you and stakeholders to fine

tune the rule as well as we can.

But, of course, that's not the end. The October action would not be the end of the process. We do plan to come back to the Board in mid 2012 sometime to bring to you linking proposals with our WCI partners if they're ready. And then also there might be other things, if they want to make adjustments, too, which would include making the process more stringent or other things where we're going to have to come back to the Board and have you act.

I don't know if Edie Chang wanted to add anything.

ASSISTANT CHIEF CHANG: The only thing I would add is as Executive Officer Goldstene mentioned, there are aspects of the regulation that were finalized which we would propose to the Board in October that would take effect on January 1st, 2012.

There is also a significant portion of things that we have some flexibility as we continue to move forward in the implementation. And my example would be something like the low-carbon fuel standard. We have the regulatory requirement. As we move through the implementation, there are lots of details about how those things get done. I'll give you a couple of examples. One of them would be offsets. The regulation already calls for the offsets to be additional, real, verifiable,

enforceable, all of the things that are in AB 32. We're working with stakeholders to try to beef up some of those provisions because of the concerns. As we implement offsets, as we develop new offset protocols, we can always go above and beyond. We have the opportunity and implementation documents to lay out our process, provide more information about how we're going to do those analyses, and provide the transparency that folks are asking for.

I think another aspect is the market oversight that we talked a little bit about. Those are things that we want to work with U.C. on developing some market surveillance committees, taking information from the monitoring. There are components that we will continue to have some flexibility.

I think Dr. Balmes asked about reviews and reports to the Board. We regularly report to the Board on all kinds of things. I can't imagine that we wouldn't be reporting to the Board on a very regular basis, considering how big this regulation is and how important it is to the folks that are on the Board as well as the stakeholders. So I expect we will be back very frequently to update the Board on what's happening and to the extent that we need to make regulatory modifications. That's something that can be done maybe not as part of this

proceeding but as part of another proceeding next year as Mr. Goldstene mentioned.

CHAIRPERSON NICHOLS: But to anybody who thinks that a tax or a fee is simple, I would just invite them to look at the Internal Revenue Code or at the State budget. Anything looks simpler in comparison to what's in front of you at the moment until you actually start working on it.

So yeah, it is complicated. But it's complicated because it's important as well.

So any other additional comments that anybody wants to make at this time? If not, I believe we're ready to adjourn. Thanks very much.

(Whereupon the Air Resources Board meeting adjourned at 3:42 PM)

CERTIFICATE OF REPORTER

I, TIFFANY C. KRAFT, a Certified Shorthand Reporter of the State of California, and Registered Professional Reporter, do hereby certify:

That I am a disinterested person herein; that the foregoing hearing was reported in shorthand by me, Tiffany C. Kraft, a Certified Shorthand Reporter of the State of California, and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said hearing nor in any way interested in the outcome of said hearing.

IN WITNESS WHEREOF, I have hereunto set my hand this 8th day of September, 2011.

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Certified Shorthand Reporter
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