# Board Member Materials

# from the September 22, 2016

# Board Meeting

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*(See transcript at page 131)*

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*(See transcript at page 387)*

# Attachment 1

RESEARCH BRIEF - SEPTEMBER 2016

# A PRELIMINARY ENVIRONMENTAL EQUITY ASSESSMENT OF CALIFORNIA'S CAP-AND-TRADE PROGRAM

By Lara J. Cushing[1,5] Madeline Wander[4] Rachel Morello-Frosch[1,2]
Manuel Pastor[4] Allen Zhu[3] James Sadd[6]

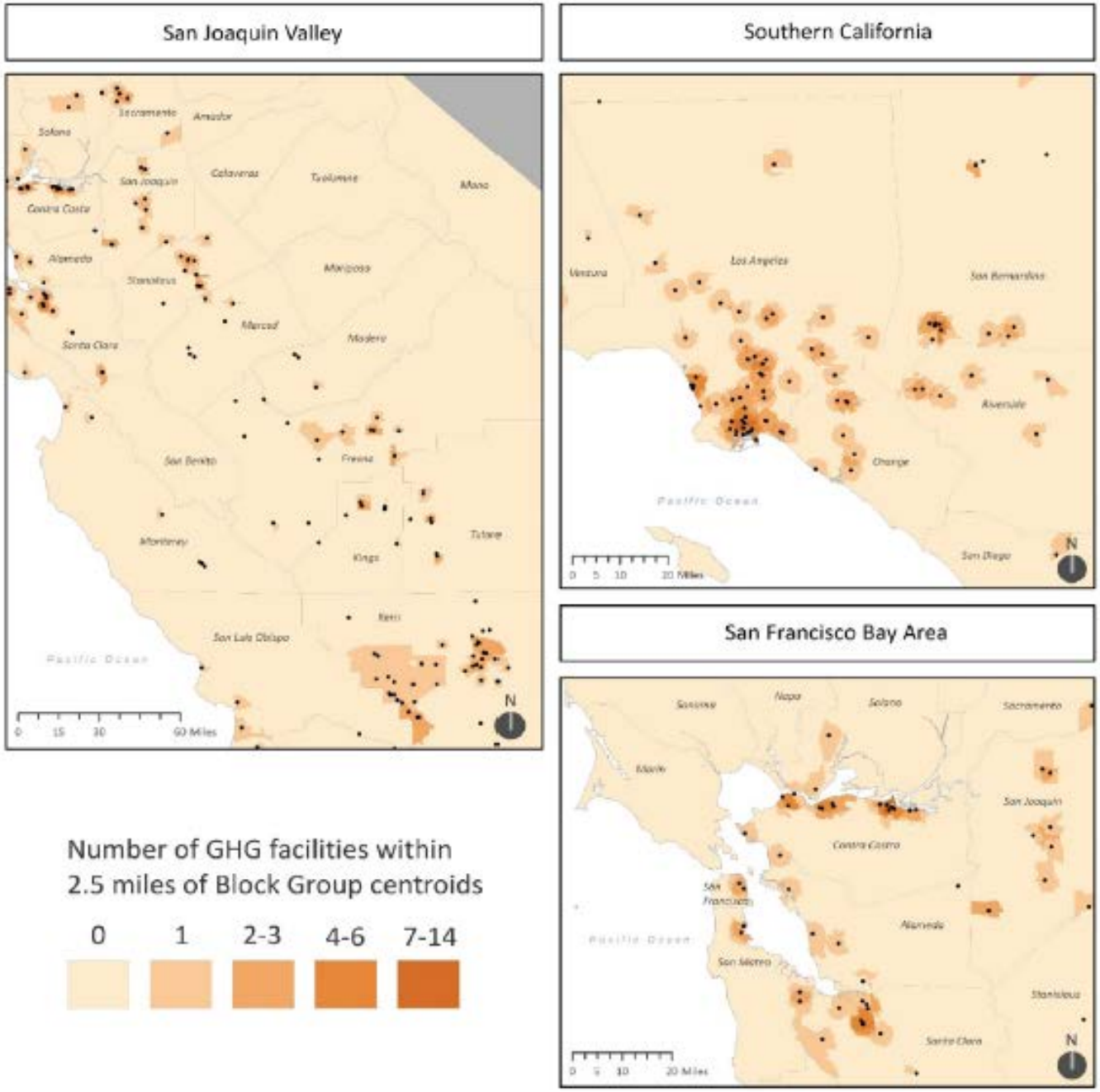

San Joaquin Valley
Southern California
San Francisco Bay Area
Sacramento
Amador
Solano
San Joaquin
Calaveras
Tuolumne
Mono
Contra Costa
Alameda
Stanislaus
Mariposa
Merced
Madera
Santa Clara
San Benito
Fresno
Monterey
Tulare
Kings
Kern
San Luis Obispo
Pacific Ocean
0 15 30 60 Miles
N
Ventura
Los Angeles
San Bernardino
Riverside
Orange
San Diego
0 5 10 20 Miles
Sonoma
Napa
Marin
San Francisco
San Mateo
Santa Clara
Number of GHG facilities within
2.5 miles of Block Group centroids
0
1
2-3
4-6
7-14

**FIGURE 5**
Temporal Changes in Total Emitter Covered GHG Emissions by Industry Sector

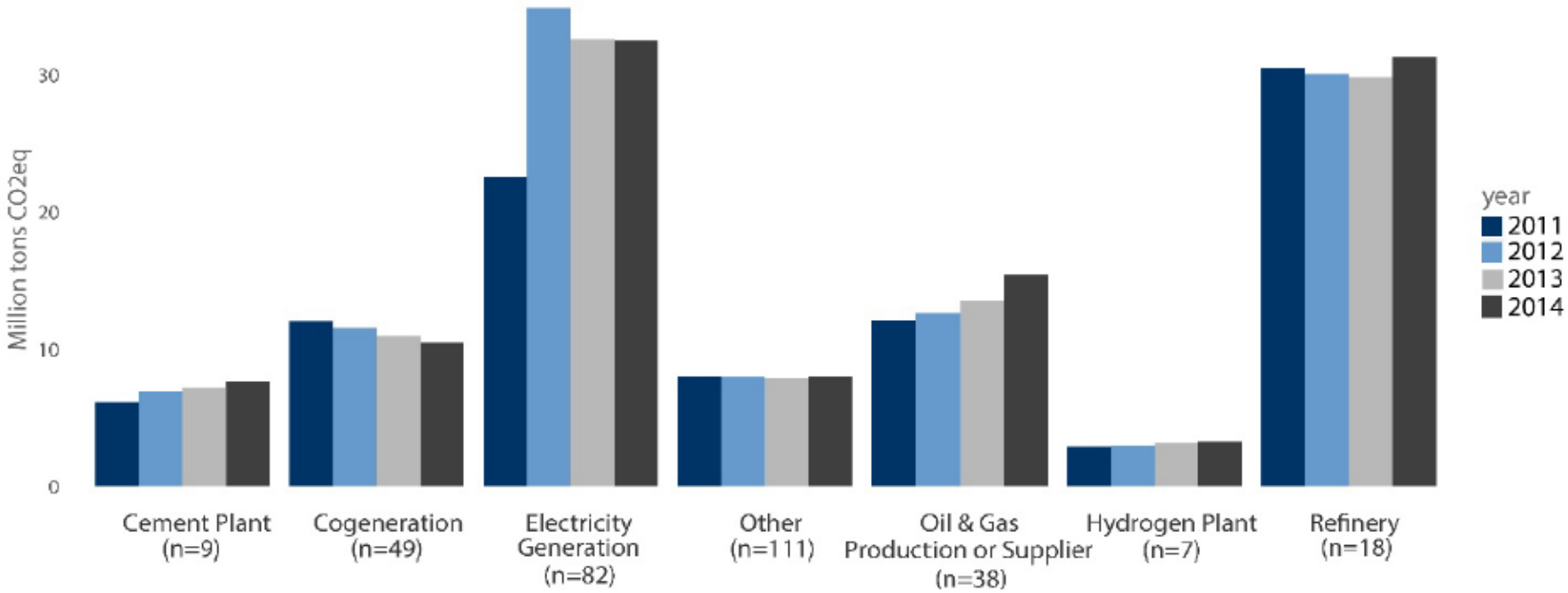


**FIGURE 9**
Total GHG Budget

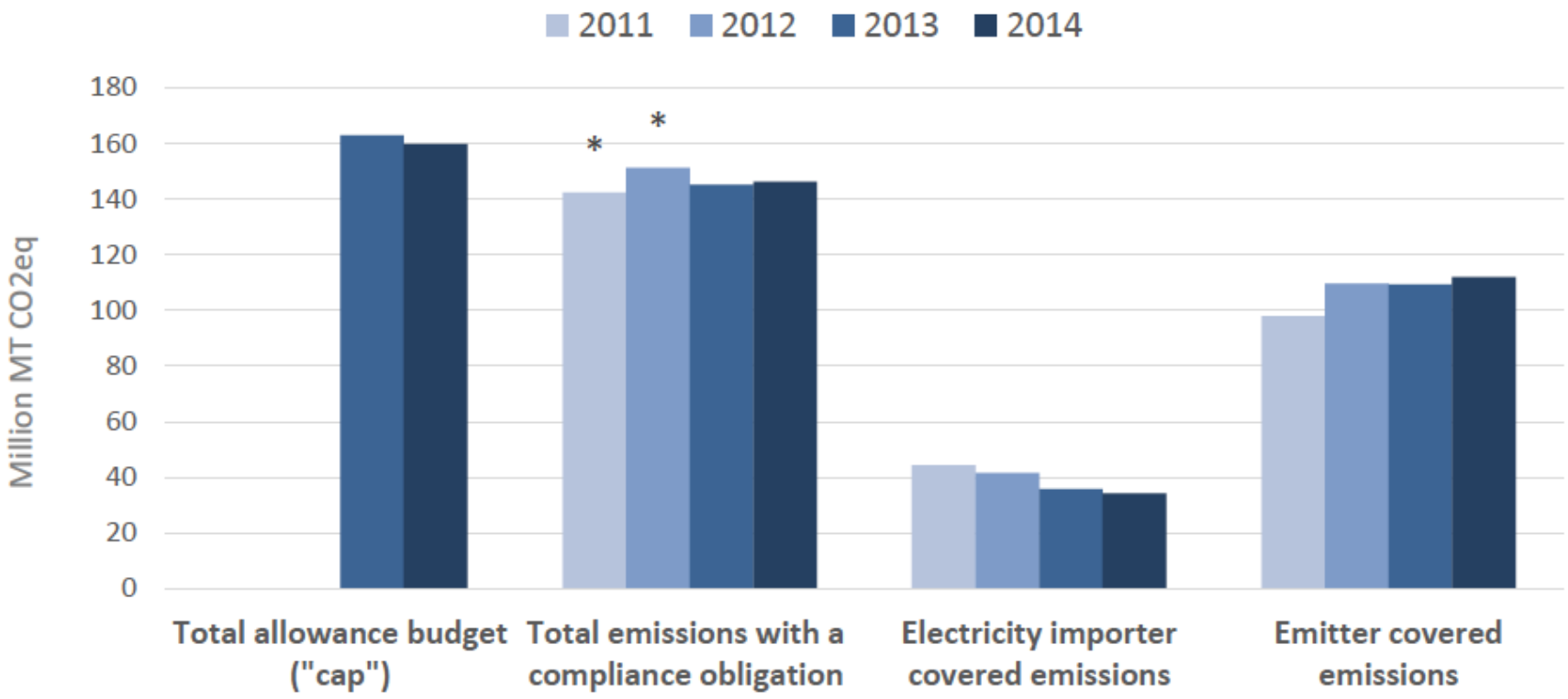
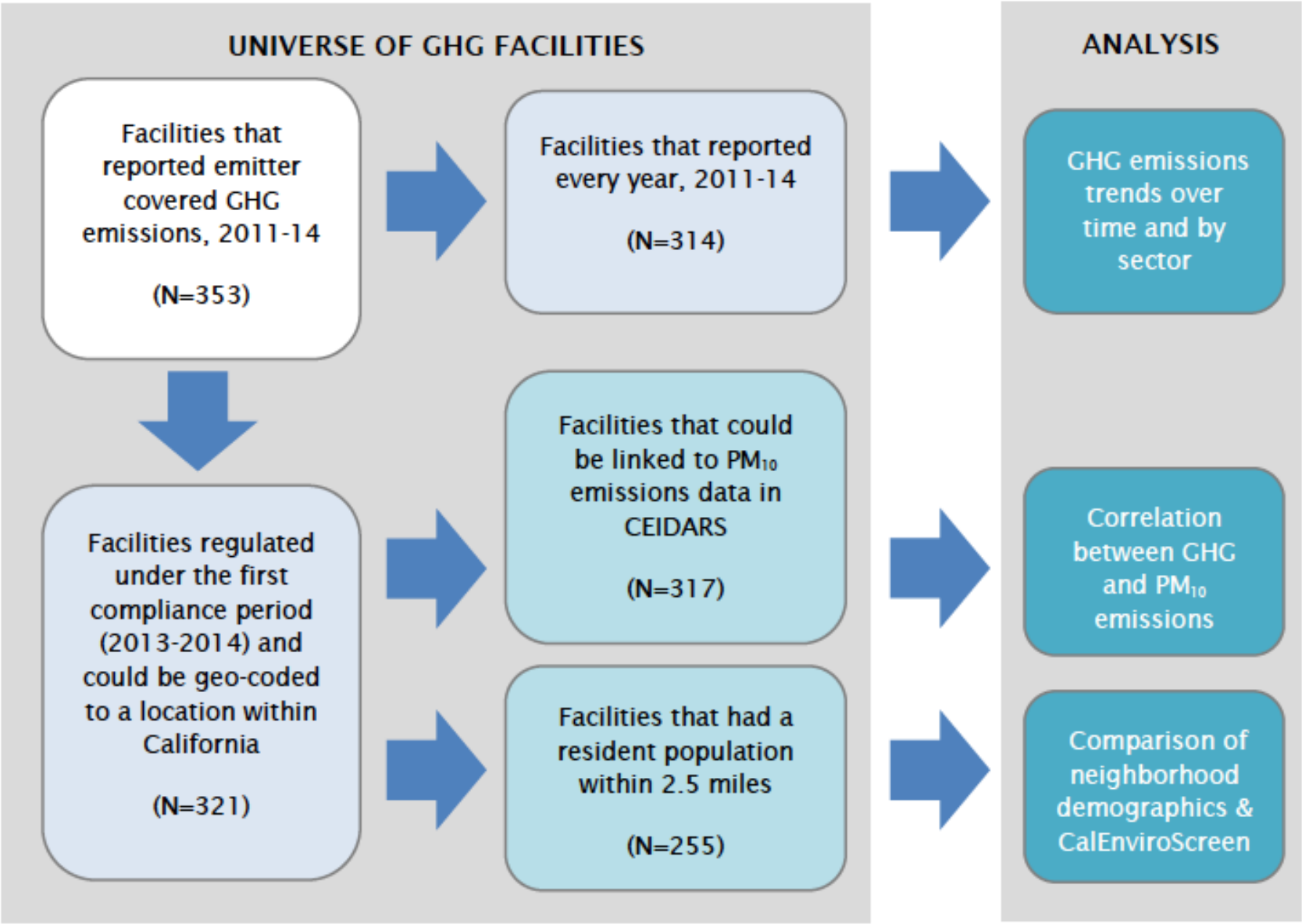


FIGURE 11 – Construction of the Dataset



# Attachment 2

**Dean Florez comments on item 16-8-4 before California Air Resources Board: Proposed Amendments to the CA Cap on GHG Emissions**

- Cap and trade has been defined by some as the cornerstone of the California Climate program. There clearly is an active constituency in support of it. But over the past two years, the Governor and Legislature have updated our climate laws. First, with the passage of SB 350, and now with SB 32 and AB 197, measures like our clean cars program, short-lived climate pollutants program, and renewable energy targets may well provide the bulk of the emissions reductions going forward to meet our 2030 GHG targets. These same measures may also provide the basis to ensure localized pollution is reduced along with CO2 and other GHGs.

- I was appointed by the Senate as an environmental justice representative to this board. But the environmental justice community is diverse and doesn't speak with a single voice on cap and trade. Some groups have signed a letter to us opposing cap and trade because it doesn't provide adequate local pollution reductions in disadvantaged communities. This concern seems to be borne out by the report issued last week by CEJA and others that at least preliminarily suggests cap and trade is not resulting in localized pollution benefits as required by law.

- Other EJ groups, including some of those who signed the opposition letter, actively support spending the proceeds of cap and trade funds for programs on transformative communities, water and energy efficiency and so forth. Still other EJ groups are neutral on the program altogether. And of course there is a chorus of environmental groups from EDF to NRDC, along with the business community, who support the program.

- Currently, there is little in the design of cap-and-trade to ensure this set of localized results. The story of the climate gap is what is up for debate today--the often unequal impact the climate crisis has on people of color and the poor in the CA.

- Today we are being asked to pay attention to the climate gap – focusing on the co-pollutants and the potential co-benefits of greenhouse gas reductions – as important for public health.

- In addition, there is considerable debate about this board's authority to adopt a cap and trade program that extends beyond 2020. The plain language of Health and Safety Code Section 38562 (c) limits the duration of any market based compliance mechanism until 1/1/2020. But even if one assumes the board has the authority to act, both the Governor and the Legislature have stated publicly that new legislation is needed to extend cap and trade and to protect it from potential legal challenge in the courts. So it's not out of bounds to ask whether this board should act now in the absence of legislation when our elected leaders say they intend to tackle this next year.

- As a legislative appointment to the board, I'm cognizant of the concerns both houses have had with board actions that seem to pre-judge where the governor and legislature might come down on an issue like this that is of such importance. When AB 197 was presented on the Assembly Floor, Speaker Rendon made the rather extraordinary statement that "the ARB has problems" in the Legislature, and that AB 197 was in part a response to the board's past actions.

**Based on these considerations, I'd like to suggest the following course of action:**

- First, I'd like to direct our staff to look at the CEJA report and other data and report back to us on what actions can be taken to reduce both GHGs AND other pollutants in disadvantaged communities. I've heard staff say, for example, that 90% of the actions the board has taken to reduce GHGs also are essential to meet our state and federal ambient air standards. If that's the case, we need to understand much more specifically what pollution is being left on the table, what the options are for reducing it, and what actions this board can take asap to address this concern. The issue here isn't so much whether to act or not to act on cap and trade, but rather what steps can we take to address concerns that disadvantaged communities continue to bear the biggest burden of pollution.

- Second, I'd like to know more about the options we have, and even those that the legislature and governor have. Given the targets the legislature has set, and the potential legal vulnerability of cap and trade without additional legislation, it seems prudent for the board to have a plan B and even a plan C in place in the event of legal challenges. Is it prudent to consider other options such as a carbon tax along with more stringent direct regulation? Are there other forms of market based compliance mechanisms that might make more sense than cap and trade? Are the Governor and Legislature more interested in a revenue program, an emissions reduction program, or both? These questions should be answered before we set a new template.

  Clearly, the issues raised here are relevant to the potential gaps left by any market-based tool – cap-and-trade, carbon fee or a hybrid – and CARB must assess the potential for market-based mechanisms to worsen existing public health disparities before it develops such a regulatory framework.

- Third, I'd like to understand more about how the program design of cap and trade can be improved. There are a number of issues with the current form of cap and trade where there seems room for improvement, both to make the program work AND to generate more on-budget revenues. One concern I have is that ARB assumes in setting the cap that emissions outside the cap - mostly in the agricultural sector and forestry sector - will fall at the same rate as those emissions under it. This assumption, at least without substantially more justification than the staff has provided, strains credulity. The numbers here are not small - if the staff's assumption is wrong, then the state

would miss the targets set by the legislature for emission reductions in 2030 by a large margin.

- Fourth I'd like to understand better the implications of over-allocating allowances in the post 2020 period. There are significant issues with the carryover of over-allocation from the current program into the 2020's. Generally, the ARB should try to avoid this, particularly given the reasons the current market is long on allowances and not generating any on-budget revenue. By spreading over-allocation into the post-2020 compliance periods, we could end up in a situation where early investments don't get made and so compliance at the end of the 2020's becomes economically disruptive and therefore politically problematic.

- And Last, after reading the Regulatory Impact Analysis for the program, I'm concerned that staff has no idea how much this will cost and to whom, and little sense of what the alternatives will cost either. Current law—AB 32 and subsequent enactments—clearly direct this board to adopt the "maximum technologically feasible and cost-effective reductions in furtherance of the 2020 and 2030 targets. The ARB has previously contracted with modeling firms that could tell us the answers to these questions. It would be very useful to have that information in order to better educate us and the public on the most effective path forward.

For these reasons, I would support the staff going back to the drawing board and bringing us this information so that we can act deliberatively and in concert with the Governor and Legislature.

**Examples to Consider?**

- ✓ Pricing in the co-pollutants along with carbon. In this case, allowances might get extra credit (or carbon fees might be priced differently). This could induce deeper GHG reductions in locations where health benefits would be maximized.
- ✓ Identify facilities that either have very high co-pollutant levels or make a very significant contribution to the pattern of environmental disparity in the state. These facilities – which should be small in number – would be restricted in allowance allocations, purchases of allowances from other facilities, and use of offsets.
- ✓ Possible he creation of trading zones, based not on whether the facility imposes a significant burden but whether the adjacent areas are currently overburdened by emissions. Here limits on overall allowance allocations and use of offsets in such zones to ensure that the total quantity of emissions allowed in the zonal market amounted to a net reduction of sufficient size.
- ✓ Imposition of surcharges on allowances or fees in highly impacted areas, with the funds being returned for environmental and other improvements in those same areas.
- ✓ Creation of a community benefits fund, based as a share of all the monies collected from allowance auctions or fees that could target emissions improvements in

neighborhoods that are overburdened, regardless of whether they are in the same location as the sources.