Archive of Substantive Email Comments Received 3/10/2009 during the Public Meeting on Recognition of Early Action in a Cap-and-Trade System

Algonquin Power Systems

If a facility receives biomass waste (orchard/vineyard waste) and converts it to a value added product, and the material is not used in a manner that emits CO2e, will they receive an emission reduction credit for this action?

Paul Ervin
Project Manager
Algonquin Power Systems

(562)355-6209 cell

AT&T Services, Inc.

Hi: Thanks for today's webcast meeting on GHG Cap and Trade. My questions are simple as I've been recently catching up on this topic.

1) Do companies whose principal GHG footprint consists of purchasing & using electricity, and of operating a fleet of vehicles, have a role in any Cap and Trade plan?

2) Telecom companies like AT&T both use and enable their customers to use trip reduction technologies (such as this webcast) to conduct business. What kind of formulation is appropriate for telecom companies to take credit for enabling the significant GHG reductions that surely result from use of this technology?

3) AB32 was signed into law in a different economic climate than exists today. With the national and state economies in severe distress, what recognition of this is built into ARBs assumptions of what is possible in the timing of either voluntary or mandated actions for GHG reductions
in CA?

A Final Thought -When other controversial and major environmental legislation was enacted (Clean Water Act, Clean Air Act, Endangered Species Act, etc.) the public eventually saw clearly tangible results for the effort (e.g. cleaner air, cleaner water, species rebound) such that even initial opponents of these laws now admit to their success.
GHG reduction is different in a crucial way. While the costs of taking meaningful action to reduce CO2 emissions will be highly visible, the results of the effort will be completely invisible to the public. No citizen will ever see reduced CO2 in the atmosphere and success will be measured only on arcane spreadsheets in MMTCE. This disconnect between the highly visible costs and the invisible benefits will be the largest challenge in sustaining public support for GHG reduction programs going forward.

Regards and thank you,

Jay P. Maille
EH&S Manager - CA LegReg

AT&T Services, Inc.
2600 Camino Ramon - 3E000A
San Ramon, CA 94583
Tel: 925.823.7430 Cell: 925.216.4101

Center for Resource Solutions

A comment was made that banking of early action credits would guard against an increase in the level of the cap to a level that would not induce any emissions. I fail to see the logic of this. To the contrary, it seems that what this would mean is that if there is overallocation in the first compliance period, it could spill over into future compliance periods.

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Please could you discuss how the process at CARB relates to the WCI process, which will also address the issue of early action reductions?

Must there be absolute agreement between types of reductions credited and associated methodologies?

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It seems that early action reduction credits raising the same additionality complications that offsets raise. That is, if a reduction would have happened even without the adoption of AB 32, it doesn't necessarily deserve special recognition. From this perspective, development of reliable quantification methods will be complicated.

I agree with Souyma of PGE. There is an important distinction between early actions by capped entities vs. actions by those that will not be capped and it relates to the issue of administrative effort, constrained resources at CARB, and tradeoffs between effort to develop early action. Allowance distribution can ensure that early action by capped entities are rewarded. Given this, it would make sense to prioritize recognizing early action that will not be incentivized by the cap-and-trade program that is coming. We would argue that voluntary renewable energy purchases by households or businesses that are not capped should be considered for inclusion as these actors will not be capped.

Chris Busch, Ph.D.
Policy Director
Center for Resource Solutions
chris@resource-solutions.org
415-568-4284
www.resource-solutions.org

Climate Protection Campaign

For the Public Record

March 10, 2009

Dear CARB,

Please accept these comments for the workshop on early action in a cap-and-trade system.

Auctioning 100% of permits automatically rewards early action. Companies that have reduced emissions would need fewer permits. In an upstream auctioned system, the price signal automatically rewards downstream companies that have reduced their need for fuel and electricity. Auctioning is the fairest and least discriminatory approach to reward early action.

Auctioning 100% from the start discourages lobbying and gaming behavior, because it sends a signal that everyone will be on a level playing field, with no special favors or exemptions to be gained through lobbying or political maneuvering.
A price floor on permits, which may be implemented through a carbon fee, will provide a price signal for long-term investment. The sooner that CARB announces 100% auctioning, the more lead-time they will give for large emitters to begin reducing their emissions before the market system takes effect, and the more early action will be taken.

A creation of separate “early action credits” opens a can of worms where every actor will claim they deserve something, and puts CARB in a difficult position. CARB would have to develop another set of bureaucratic procedures, causing extra administrative burden on CARB staff, time, and resources. Those expenses will be paid for through an administrative carbon fee, so companies lobbying for early action credits should know that their request may result in higher administrative fees. Consumers will bear these costs, and in this economy, the simplest and least expensive process that accomplishes the goal is the best.

Similar to grandfathering, early action credits going to established companies discriminates against new market entrants, especially renewable energy providers. Every free allowance or early action credit not paid for reduces the amount of potential auction revenue available for public trust investment or consumer rebates or dividends.

We ask CARB to adopt 100% auctions as the simplest and best way to reward early action.

Thank you for your consideration.

Sincerely,

Mike Sandler

EN2 Resources, Inc.

Will capped source entities that will be exempt from the cap-and-trade program (i.e., generate less than 20,000 metric tonnes CO_2) be able to take action to receive early reduction credits?

Elizabeth Sheppard (a.k.a. Acosta)
Environmental Specialist
EN2 Resources, Inc., also dba
Sierra Ecosystem Associates
1024 Simon Drive, Suite J
Placerville, CA 95667
p (530) 622-8740
f (530) 622-2820
elizabeth@sierraecos.com

Los Angeles County Sanitation Districts

1) Will credits for early actions be protected when the federal government develops their plan? CARB should make every effort to assure that the starting point of the ferderal program cannot be after the state program.

2) Essential public services including (1) sewage treatment facilities, which are publicly owned or operated, and consistent with an approved regional growth plan; 2) prisons; 3) police facilities; 4) fire fighting facilities; 5) schools; 6) hospitals; 7) construction and operation of a landfill gas control or processing facility; 8) water delivery operations; and 9) public transit should not be included in a declining Cap-and-Trade program. Essential public services definition from SCAQMD Rule 1302.

We believe it would be prudent to exclude essential public services from the cap and trade program under development for the following reasons:

1) Essential public services should not be subjected to the vicissitudes of supply and demand of credits in fulfilling their mandate to provide needed infrastructure or other services in a timely manner. When facilities, consistent with approved regional plans or changes in regulations are needed, they are needed within a strict time horizon and should not be delayed by the lack of or excessive costs associated with scarce credits.

2) Essential public services are at a fundamental competitive disadvantage in the marketplace since they cannot move as fast as private industry because dealing with public funds justifiably requires more approval steps. The consequences of said delays are lost purchasing opportunities that equate to higher costs for taxpayers and, of course, the associated project delays.

3) Most essential public services have competitive bidding requirements prescribed by regulations. If an essential public service employs two brokers from a list of qualified brokers, for example, potential sellers see an artificial, increased demand for their credits/offsets/allowances and raise their asking price to *all buyers* accordingly. By employing multiple brokers looking for credits, essential public services are in essence bidding against themselves. Even using one broker selected through a pre-qualification process has transparency issues that may never satisfy an elected board.

4) Budget processes and budget cycles of essential public services, especially where user fees are involved, cannot accommodate volatile swings and price increases for credits similar to what occurred in RECLAIM in the 2000-2001 timeframe. Prices in SCAQMD's program jumped from cents per pound for a RECLAIM trading credit to over $60 per pound in a very short period of time, a two order of magnitude change.

5) It is inappropriate in our opinion for essential public services to allocate staff and resources away from their primary role and into trying to find the best credit deals in the marketplace.

The simplest and best alternative to cap and trade regulation for essential public services is command and control rulemaking principally because there is adequate time to budget and implement the regulation. It is also usually a completely transparent process.

Finally, while essential public services should not be included under a cap and trade program, they should be allowed to be a source of offsets for *other* source categories regulated under cap and trade programs. Being under command and control regulations makes additionality determinations for credits and offsets for essential public services fairly straightforward, at least initially. Many innovative opportunities for generation of offsets exist within certain essential public service sectors. Such offsets will very much be needed by the entities under cap and trade and such a scheme provides the lowest possible costs for the taxpayers.

Terence J. Larro, P.E.
Air Quality Engineering
Technical Services Department
Los Angeles County Sanitation Districts
P.O. Box 4998
Whittier, CA 90601

(562) 908-4288 X-2468
FAX: (562) 692-9690
email: tlarro@lacsd.org

Sacramento Regional County Sanitation District

Would wastewater projects be considered uncapped sources at this time and in phase 2?

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Early credits reduce source emissions towards meeting the cap relative to some baseline. Can someone explain the concern over these credits changing the cap in some way?

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But WHY are you adding reductions to the cap? That seems to be mixing reduction efforts with targets. If this is a diversion from your meeting, you can answer my question via e-mail.

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What options for rewarding voluntary early actions outside of capped sources should be considered?

A small but enticing percentage increase in credit for early implementation that achieves real measurable reductions. This could be a sliding scale that gets smaller as the 2012 date approaches and then sunsets in 2012.

Keep it simple so we don't get bogged down in extra, unnecessary effort for early actions that won't be early if we take too long to figure out how to count them. Note that there are those who would bog this process down to achieve exactly that outcome. Reductions are measured relative to a baseline. Credits go to those capped sources that pay for them, in proportion to their contribution to the effort in the event that multiple partners want to team up on any particular project.

The accounting works like a checkbook. You implement projects to get credit to put into your account - your emissions less your account balance are compared to your allocation to check compliance. I think this might be a slightly different way of counting credits than ARB previously considered. I see from previous presentations on cap and trade that allowances PLUS offsets are compared to the capped source's emissions - this simply moves the offsets (or early actions) to the other side of the equation, thereby leaving the cap (or allowance) unchanged.

What criteria should be used to select projects that would be

eligible for credits?

Projects that can be completed in relatively short time frame - relative to other projects that can take longer to build and show reduction. Projects that provide a relatively high return on investment - in other words, that provides a high unit carbon reduction per dollar spent (biggest bang for the buck)

Projects that have willing participants, both from those offering the project and those receiving credit for the project. Projects that accelerate utilization of renewable fuels and /or achieve other environmental benefits.

Should project-based voluntary reductions that follow Board-approved protocols qualify for credits in a cap-and-trade program?
YES

If early action projects continue to generate emission reductions after 2012, should they qualify for early reduction credits, set asides, or offsets?
YES

Vicki Fry, P.E.
Associate Civil Engineer
Water Quality Division, Policy and Planning
Sacramento Regional County Sanitation District
10545 Armstrong Avenue Suite 101
Mather, California 95655
ph: (916) 876-6113
fax: (916) 876-6160
Please note my new e-mail address is fryv@sacsewer.com