



Climate Protection Campaign
Sonoma County, California
Big Vision, Bold Action

January 22, 2007

Hon. Robert Sawyer, Ph.D.
California Air Resources Board
1001 I Street
Sacramento, CA 95818
aayala@arb.ca.gov

Dear Chairman Sawyer:

Re: Early Action Measures for AB32 Implementation

Thank you for your consideration of these comments on early action measures that can be adopted and enforced by 2010. The State has taken on a leadership role with AB32, and CARB will play a key role in developing climate policy.

Climate change provides a monumental challenge, but also an opportunity to solve the problem of climate change by making our institutions more aligned with long term sustainability. We can't solve the problem by doing more of what hasn't worked in the past. We encourage you to think big, and also to think about the triple bottom line: what are the social, environmental, and economic implications of the policies you adopt.

Since 2001, in Sonoma County, the Climate Protection Campaign has worked with 9 cities and the county to quantify and reduce greenhouse gas emissions. We set several national precedents in setting local government and community-wide emission reduction targets. We have worked with the Bay Area Air Quality Management District in developing their Climate Protection Program.

State Support for Local Efforts

Our first recommendation for early action is that the state regulations dovetail with actions at the local level. Early action items aimed at municipalities would have a widespread impact and share the work of AB32 implementation with decision makers statewide.

Streamline Reporting for Small Facilities

The California Climate Action Registry is currently set up for large emitters, but there is no easier program for small emitters. There are probably thousands of small emitters which want to participate. The Registry should develop web based software, and a stepped approach to allow small emitters to go up the learning curve without investing thousands of dollars up front.

Help Local Agencies avoid "Death by Success"

In our work in Sonoma County, we have noticed a phenomenon we refer to as "Death by success." An example is when the Sonoma County Waste Management Agency successfully diverts 50% of its waste stream out of the landfill, then loses revenue stream, and cannot pursue projects allowing it to continue to divert more. The same happens when a water utility installs efficiency measures, sells less water, and loses revenue. The State should develop strategies to prevent "Death by Success."

Reduction in Vehicle Miles Travelled

The State can support local jurisdictions which implement policies that discourage single occupancy vehicles, promote transit alternatives, and increase the cost of automobile use.

GHGs in General Plans and CEQA

Another early action is for CARB to require that cities and counties include greenhouse gas reduction language in their General Plans. In addition, CARB could require local jurisdictions to incorporate GHG reductions targets into their General Plans.

CARB can add a section to its CEQA guidance requiring that Environmental Impact Reports include an evaluation of the GHG impacts of proposed projects. CARB can have regional air quality districts include language about GHGs in their CEQA guidance. This will put GHG impacts on par with the other environmental impacts that decision makers must consider.

From Net-Metering to Solar Compensation

CARB should work with other agencies at the Climate Action Team to better incentivize renewable energy. The current Net Metering policy- where solar system owners are allowed to generate power to get their utility bill down to zero- can be improved to include payment to solar owners for the surplus clean power they generate to the grid.

Incentivize Community Choice Aggregation with high RPS

Can the State direct the PUC to make it easier for local jurisdictions to implement Community Choice Aggregation, with special incentives for high RPS? We believe Community Choice Aggregation containing local Renewable Portfolio Standards could be one of the most powerful tools in reducing GHGs.

Water and Climate- Encourage Local Actions

Community Clean Water Institute and the Climate Protection Campaign have worked with Marin and Sonoma County local governments and water agencies, which have taken action regarding climate change. The Marin Municipal Water District (MMWD) has passed a resolution to quantify and reduce their greenhouse gas emissions. This follows the framework of ICLEI's Cities for Climate Protection (www.iclei.org/us). They were the first water district in the country to pass a resolution directly focused on climate change. The Sonoma County Water Agency passed a similar resolution in 2005, and now has an Energy Policy which specifically targets GHG reductions. Their energy policy is online at <http://www.scwa.ca.gov/>.

We believe that every water agency and district in the State could pass similar resolutions, addressing climate change through local energy policies, and placing climate change as a priority on each of their Boards. The cumulative impact of such local actions could equal or exceed actions taken in Sacramento.

Forests

Forests play an important role in climate protection and carbon sequestration. Green building programs can reduce the need for virgin wood products in construction. The State can encourage reforestation, and tell the State Board of Forestry to take action to promote sustainable forestry, ban clearcutting, enforce higher restocking ratios, and incentivize better forest practices.

Anti-idling

Local governments need to be required to have anti-idling policies in place for their fleets and local transportation operations.

Changing the Price Signal

CARB should commit resources to implementing policies that utilize the price system and the polluter pays principle. When used correctly, prices can be altered to reward good behavior, and penalize bad behavior. Right now the price signals are not providing sufficient rewards for efficiency and conservation behavior.

For example, the State could implement a Vehicle License Fee and car taxes corresponding to fuel efficiency. If you want to buy a guzzler, you pay a higher fee, which could be returned to those who buy cars that get over 50 mpg. This “feebate” based on auto fuel efficiency rewards the good, and penalizes the bad.

Principles of a CO2 Market

AB32 allows for the potential creation of a CO2 market as an instrument to reduce GHGs. Concerns over the structure of a CO2 market are valid. The outcomes of Cap and Trade systems differ dramatically depending on how emission rights are allocated. If done correctly, the creation of a CO2 market may facilitate overall emission reductions in an economically efficient manner. If done incorrectly, a CO2 market could end up enriching fossil fuel companies with windfall profits at public expense with few emissions reductions.

The Climate Protection Campaign is open to dialogue with all stakeholders including those in the audience about guidelines for a future CO2 market.

We wish to encourage CARB to consider the following recommendations regarding CO2 markets as it continues with the AB32 implementation process.

Any CO2 market must avoid the negative experiences of RECLAIM and ETS. Previous cap and trade systems such as the South Coast Air District’s RECLAIM program, and the European Emission Trading System (ETS) did not achieve their desired results. For example, the ETS gives emission permits to oil and coal companies and other large emitters for free. The receiving corporations raised their prices, get windfall profits, and overallocation means few emissions reductions are made.¹

Here are 3 suggestions for a CO2 market that protects the public trust resource- the sky:

- a) *make the market comprehensive instead of sectoral*
The language in AB32 calls for a market that is comprehensive. The best way to be comprehensive is to regulate fossil fuels at the point at which they enter the California economy. The system would regulate fossil fuel importers and producers.
- b) *auction permits instead of giving them away to corporations*
The regulated companies must pay for the permits. The price of CO2 cannot remain at zero. This could occur in a State-run auction, or a private sector market. The State of New York has decided to auction 100% of permits under the RGGI. Other states are expected to follow New York.
- c) *preserve the public trust aspect of the resource by including a per capita equity component. This can be accomplished by any of these three options:*
 - i. **Public Goods Auction:** The State auctions all permits under the cap and uses the revenues for public goods such as energy efficiency, transit,

¹ "CO2 Price Dynamics: The Implications of EU Emissions Trading for the Price of Electricity" by The Energy Research Centre of the Netherlands (ECN), September 2005

- research and development of new low-carbon technologies, and similar projects. Revenues would also pay for administration of the program.
- ii. **The Sky Trust:** The State auctions all permits under the cap and provides a cash dividend on a per capita basis to Californians.
 - iii. **Carbon Share:** Distribute per capita shares of CO₂ to all citizens, who cash the shares at banks and brokers. Banks and brokers sell the shares to the regulated companies on a private exchange. More information on this option is available at www.carbonshare.org.

Study Public Trust Allocation of CO₂ Permits

An early action item for CARB is to study public trust allocation options and analyze the social, environmental, and economic impacts of the Public Goods Auction, the Sky Trust, and Carbon Share. We believe CARB will find that these public trust options are preferable to giving the permits away to fossil fuel companies for free.

There are many technological approaches which can reduce some greenhouse gases. But the only way to ensure the reductions meet the overall target is with an economy-wide cap. The public trust options above will help implement AB32 and ensure the system recognizes that the owners of this public trust resource- the sky- are all of us- the citizens of California.

We are available to meet with you to discuss these recommendations.

Sincerely,

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