



April 24, 2008

Kevin Kennedy
Office of Climate Change
California Air Resources Board
1100 I Street
Sacramento, CA 95812

RE: Offsets Within A California Greenhouse Gas Reduction Program

Dear Mr. Kennedy:

The undersigned organizations appreciate the opportunity to express our concerns and offer our perspectives on the design of an offset program within AB 32. We believe that development of an offsets program needs to be approached very cautiously. Unless carefully designed with appropriate limits, an offset program could result in offsets that are not real, could lead to lost opportunities to achieve emission reduction co-benefits, could substantially weaken the incentive for development of new, innovative technologies, and could result in a failure to protect communities from localized air pollution impacts. While an offset program could provide an efficient means of allowing lower cost greenhouse gas reductions to occur as stated by proponents, there are several other factors that need to be taken into consideration. For example, there are many questions that need to be answered regarding the development of appropriate oversight and accounting processes to ensure that offsets are real, verifiable, quantifiable and permanent. More importantly, AB 32 requires specific consideration of air quality and environmental justice impacts to local communities and these impacts have not yet been carefully evaluated.

Given that California experiences the worst air pollution in the country, the concern about co-benefits is especially important. California is already facing tremendous challenges in meeting state and federal air quality standards, and those standards are becoming more stringent. The public health toll in terms of premature deaths and illnesses is extremely high. The EPA recently announced a new and more stringent standard for ozone pollution and last year adopted a tighter standard for particulate

matter (PM 2.5). Any additional emission reduction benefits that could be achieved would be helpful to meeting state and federal health-based air quality goals.

Following are some specific comments

Geographic Scope of Offsets:

In order to achieve AB 32 goals, California will have to drive development and implementation of new, innovative clean technologies that can achieve the maximum level greenhouse gas reduction. There is tremendous concern that offsets generated outside of the state will reduce the incentive for California's industries to transition to less carbon intensive manufacturing and production technologies. If offsets are going to be allowed from areas outside of the state, they should be limited to a small percentage of greenhouse gas reduction requirements. In addition, CARB needs to address how such out of state offsets would be evaluated and monitored on an ongoing basis to ensure they are real, verifiable, permanent and surplus.

Evaluation of Air Quality Concerns:

We are concerned that if facilities are allowed to purchase offsets, they will avoid application of specific control strategies such as: product substitution, improving combustion and energy efficiency or other greenhouse gas control methods that would result in air quality co-benefits in local communities. We remain concerned that offsets will be used to avoid the expense of upgrading dirty, inefficient facilities while claiming credit for emissions reductions from investments in projects that do not improve air quality or the environment in California. In particular, we are concerned that an offset program will take away from localized benefits in environmental justice communities that are most harmed by cumulative air pollution impacts. As required by AB 32, we believe that any offset program under consideration by CARB should be evaluated to determine the likelihood and magnitude of these localized air quality problems.

Limits On Offsets

There are several ways in which limits on offsets could provide some benefit to local communities, and we urge CARB to consider these concepts:

- CARB should consider designing the program to require a specific percentage of offset projects be developed in specific geographic locations where emissions reductions and air quality improvements are most needed.
- CARB should consider identifying specific geographical areas that are highly impacted by pollution where offsets cannot be purchased, or where the costs of offsets are higher.

Community Benefits Fund

CARB should establish a community benefits fund that collects revenue from fees on the sale of offsets and other taxes or fees collected to implement the AB 32 program. The revenue raised can be distributed to local communities and/or local government

agencies as a resource for taking action to reduce exposures and public health risks through such measures as improving energy efficiency, improving alternative transportation options and reducing diesel emissions.

Thank you for your consideration regarding this important issue. We look forward to working with you and your staff to develop a strong and equitable offset program.

Sincerely,

Bonnie Holmes-Gen
American Lung Association of California

Dennis Hall
American Lung Association of California

Shankar Prasad
Coalition for Clean Air

Bill Magavern
Sierra Club California