December 14, 2010

Clerk of the Board
California Air Resources Board
1001 I Street, Sacramento, California 95814

RE: Public Hearing to Consider the Regulation to Implement California Cap and Trade

Dear Members of the Board:

The California Trucking Association (CTA) is a nonprofit trade association representing trucking companies operating into and out of California. The proposed California only "Cap and Trade" regulation creates significant cost increases in diesel fuel for companies that are forced to fuel in California. CTA is opposed to placing diesel fuel under the cap for the following reasons and requests that the California Air Resources Board (CARB) remove diesel fuel from the Cap and Trade Program in the interest of California jobs and a level playing field.

The following issues can only be addressed by taking diesel fuel outside the Cap and Trade Program's declining cap as it will:

1) Create a California-only 30 cent per gallon fuel tax based an allowances market price of $30 per metric ton C02 equivalent.
2) Double regulate the trucking industry with two punitive measures impacting fuel costs. First, the low carbon fuel standard and second, diesel fuel under the cap significantly impacting the price of in state diesel fuel.
3) Displace fuel purchases from interstate carriers to outside the state and increasing the use of out of state diesel fuels in California in violation of the State Implementation Plan.
4) Disadvantage California diesel users who compete with interstate carriers for California freight transferring freight accounts outside the state.
5) Creates a diesel fuel price signal needed to drive investment in cleaner fuels but that leaves California's trucking industry in peril and the state in a financial crisis.
6) Creates price shock in 2015 by adding fuels under the cap when allowances are scarce.

CTA requests that CARB remove diesel fuel outside the declining cap pursuant to statutory requirements which state in plain English the definition of cost-effectiveness inherent in the legislative intent of AB 32. Capping emissions from the combustion of fossil fuels for transportation purposes is in no way the lowest cost means of achieving the requirements of Health and Safety Code 38501(h).

> *It is the intent of the Legislature that the State Air Resources Board design emissions reduction measures to meet the statewide emissions limits for greenhouse gases established pursuant to this division in a manner that* ***minimizes costs and maximizes benefits for California's economy****, improves and modernizes California' s energy infrastructure and maintains electric system reliability, maximizes additional environmental and economic co-benefits for California, and complements the state's efforts to improve air quality.*

Health and Safety Code Section 38505(d) defines cost-effective or cost-effectiveness and transportation fuels under the cap basically violate this section by adopting the least cost-effective carbon strategy with the highest cost. Adopting diesel fuel under a declining cap and a low carbon fuel standard in conjunction violates both the spirit and letter of the law passed by AB 32 and threatens thousands of transportation related jobs throughout the state. In addition, it encourages the use of less clean, out-of state fuels and increases statewide emissions. Please feel free to call me if you have further questions at (916) 373-3562.

Sincerely,

Eric Sauer
Vice President of Policy Development
California Trucking Association