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California Council for Environmental and Economic Balance

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December 15, 2010

Chairman Mary Nichols and Members of the Air Resources Board
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Comment Letter- Proposed Regulation for a California Cap-And-Trade Program

The California Council for Environmental and Economic Balance (CCEEB) is a coalition of business, labor, and public leaders that advances strategies for a strong economy and a healthy environment. On behalf, of CCEEB, we want to thank the California Air Resources Board (ARB) for this opportunity to comment on the proposed regulation for a Cap-and-Trade Program.

CCEEB supports adoption of a cap-and-trade program as the best means to achieve greenhouse gas (GHG) reductions at the lowest possible cost and we appreciate the work that ARB staff has done over the last year. The proposed regulation is a marked improvement to the Preliminary Draft Regulation (PDR). The phased approach towards auctions, acknowledgement of trade exposure, increasing the percentage of offsets, and recognition of the need for linkage in this regulation are positive steps toward a workable program with environmental integrity.

However, CCEEB believes that the proposed regulation requires significant additional modifications and an expressed commitment to develop additional tools and the necessary details to have an operable market. CCEEB is committed to working with the ARB to build a workable regulation that balances the environmental and economic needs for a healthy and vibrant California. As such, CCEEB comments include the following 10 key recommendations:

1. Revise the cap reduction slope to allow for smoother transition.
2. Remove unnecessary constraints on the market that increase the cost of compliance; increase holding limits and offset limits.
3. Establish a program to monitor the health of California's economy and market.
4. Establish a trade exposure test.
5. Establish a process to refill the Allowance Reserve.
6. Establish a work plan to ensure that the tools, guidance, training, market tests, and infrastructure that are necessary to comply with the regulation are in place before requiring entities to comply with the requirements.
7. Adopt offset protocols as rapidly as possible.
8. Revise enforcement penalties, align with federal reporting requirements, and establish a dispute resolution process.
9. Expedite linking to other GHG markets.
10. Clearly state intent of the ARB to seek equivalency to the Environmental Protection Agency's (EPA) emerging GHG programs, or other alternatives to ensure California's businesses are not subject to duplicative GHG regulations.

In addition to these ten items there are additional secondary and specific recommendations addressed in this comment letter.

It is clear that this regulation will require amendments in the near future and throughout 2011. CCEEB requests that the Board amend their resolution at the December 16, 2010 hearing to add:

> "*BE IT FURTHER RESOLVED that the Board directs the Executive Officer to develop and complete, prior to market operability and compliance deadlines: (1) stakeholder training, (2) design and alignment of the software with the California Independent System Operator's (CAISO), Market Redesign and Technology Upgrade (MRTU), (3) market testing and simulation, (4) pre- and post-implementation checkpoints with defined actions for market adjustments that correspond to market indicators, (5) establishment of an independent Market Monitoring Board to monitor the efficacy and performance of the cap-and-trade market (6) designate the CAISO market design and monitoring functions to provide input and coordinate oversight activities (7) work plan that indicates when all compliance tools will be complete (8)Trade exposure test based on linkage to state or Federal cap and trade programs for sectors that have national and international competition.*"

This addition will provide compliance entities and CCEEB members with an assurance that the ARB will work with us on the major issues that need to be addressed prior to operability of the market in California.

Comment 1: Revise the cap reduction slope to promote a smoother transition
CCEEB recognizes that the ARB has proposed several program elements designed to create a smooth transition to a market, as requested in the Governor's letter on March 24, 2010. However, because it is unlikely that California's program will be broadly linked with other state, federal or international programs in the early years, the combined effects of the cap slope and the allowance reserve deductions in the first and second compliance periods are likely to result in serious impacts to the economy. To correct this problem, CCEEB recommends that the cap slope be revised to reflect a smoother transition of 1% in 2013 and 2014, and 2% per year in the second compliance period. This creates a smooth transition and realistically addresses the potential that California's cap and trade program will operate without the possibility of broad linkage to other state or federal programs in the first 5 years.

Additionally, CCEEB is concerned that the cap in this regulation exceeds previously defined scoping plan levels, driving the program reductions below 1990 emissions levels. CCEEB recommends that the ARB clearly articulate the rational for this increased compliance obligation and the reasons why the emission estimates are higher when the economy, production, and business are down, and reconcile this data with the updated GHG forecast.

Comment 2: Remove unnecessary constraints on the Market that increase cost
Portions of the proposed regulation will unnecessarily constrain the market. The advantage of a cap-and-trade program is to allow market pressures to create solutions that best fit business models and consumer behaviors. Due to the small market currently proposed, some limitations are necessary. However, care must be taken to ensure market liquidity. Of particular concern are:

- The holding limit is too low. As currently written, about 70% of allowances, for large compliance entities will be locked in compliance accounts. This creates an uneven playing field that favors traders over regulated entities. Compliance entities must be able to hold and trade a larger portion of their allowances to adequately manage their risk throughout the cap-and-trade program.

  CCEEB recommends that the program allow compliance entities to hold sufficient allowances to cover their obligation for the entire compliance period based on a rolling 3-year emissions obligation. This change would free up allowances for the major compliance entities and enable a much more liquid market where an entity could adequately hedge its forward risk without major complications. While there are still allowances locked in compliance accounts in some years, the increase in holding limits makes these limitations much more manageable.

- CCEEB supports the recommendation of the International Emissions Trading Association that suggest that the ARB should be guided by the SEC and existing federal entities (e.g., Derivatives Clearing Organizations as designated by the U.S. Commodity Futures) to set appropriate holdings limits, as both have the expertise and flexibility to adjust holding limits as the liquidity of the market fluctuates on markets to deal with gaming and other concerns.

- CCEEB has concerns with an annual surrender requirement as it doesn't allow facilities to freely adjust their holdings over the compliance period. The annual surrender removes the benefit of a 3-year compliance period. Recognizing that there may be concerns about default risk, the ARB should not penalize entities that are not true default risks. To address this, there should be a financial assurance test that would exempt non-risk compliance entities from a yearly surrender. This change recognizes that all compliance entities have an interest in preventing each other from defaulting.

- Business fluctuations at the end of a compliance period are anticipated. These fluctuations could adversely impact the smooth operation of the market. CCEEB recommends that vintage allowances (i.e. borrowing from current year) be allowed to be used during the true-up period. This will provide a mechanism for the end of compliance truing-up will increase market confidence.

Comment 3: Establish a program to monitor California's economic health and market
This regulation impacts a significant portion of California's businesses and consumers. It is imperative that the State monitor leading indicators that reflect the economic health of California. California must be positioned to identify any potential problems that may be inadvertently caused by this regulation, before they cause significant damage to the economy so that any regulatory structural problems can be corrected in a timely manner. CCEEB recommends that the ARB include provisions in the cap-and-trade regulation to: (1) monitor specific economic indicators, including cap-and-trade market elements, such as, the price in the quarterly auctions, the functioning of secondary markets, adequacy of the Allowance Price Containment Reserve, detection of market manipulation, offset supply, evidence of contract shuffling, progress towards achieving the 2020 target, total cost of the program, jobs in manufacturing, vacancy rates, home sales, volume of trade through ports, GSP, energy prices, and other indicators used by the Department of Finance to monitor the health of California's economy; (2) establish formal reviews of the regulation at least once each compliance period; and (3) develop and implement a more structured process and approach for evaluating the comparative cost-effectiveness of program measures, as well as the relative cost-effectiveness of those measures vis-à-vis the cap-and-trade program and identify any potential problems.

In a letter to the ARB on May 17, 2007, regarding *Proposed Early Actions to Mitigate Climate Change in California*, CCEEB stated, "that it is important to view the market mechanisms as a continuum that continually examines the economic impact of the program and allows for realistic turnover of capital investments." CCEEB suggested that, "the [ARB] consider recommending additional details surrounding the implementation of the Cap-and-Trade program in its report so that any market system failure can be properly mitigated with as minimal impact to the California economy as possible. This detail should include identification of the criteria and data that will be needed to determine that there is a working market and the information that needs to be tracked to identify market system failures before they cause significant harm."

Market monitoring is essential to help ensure reasonable market behavior and results, and to instill confidence with market participants and other stakeholders. For example, the Federal

Energy Regulatory Commission requires that all organized electricity markets (including the CAISO have independent market monitors. Independence helps insure monitoring is done objectively and is aligned with the best interest of the auction. CCEEB recommends that an Independent Market Monitor be established with authority to: (1) review bids prior to the running of any auction; (2) provide analysis of the competitiveness of any auction, preferably on an ex-ante basis (e.g. prior to running the auction); and (3) report findings and concerns to the ARB and the California Senate Energy, Utilities and Communications Committee.

Comment 4: Establish a Trade Exposure Test

In the absence of national and global GHG policies, California sectors will all be trade exposed. The best way to mitigate this exposure is 100% free allocations. The cost of carbon will be set by the direct measures adopted under AB 32 and the cost of purchasing offsets. In the absence of national and global policies, an auction of allowances will further and unnecessarily increase the costs of the program without providing additional environmental benefits, and perhaps lead to environmental degradation due to leakage of emissions and jobs to states or countries with less stringent environmental policies.

CCEEB believes that the 2018 trajectory towards 50% auction only six years into the program is a significant step and should not be taken without clear indications that it will not result in leakage. We are concerned that the analysis for trade exposure on a state level is an untested new process with potential for inadvertent oversight and errors and/or the cumulative impact of the other technology forcing complementary measures on California businesses may impact trade exposure in ways not full accounted.

To remedy this problem, CCEEB recommends that the ARB establish a test to determine if an industry is trade exposed. The ARB's trade exposure test should rely on two criteria: (1) is there a federal program; and (2) is there linkage? Allocations should be evaluated every three years in relation to the trade exposure test and other market indicators, such as the reports and recommendations by an independent market monitoring committee.

Comment 5: Establish a process to refill the Allowance Reserve

In addition to the primary cost containment mechanism of using offsets, CCEEB supports an allowance reserve as an insurance policy against events such as unexpected market dynamics or difficulties obtaining ARB-approved offsets. An Allowance Reserve provides market certainty and helps contain costs. We understand that it is the ARB's intent to fix any problems through the regulatory process or initiate the emergency provision of the Health and Safety Code, Section 38599 if the reserve is depleted. We believe that the regulatory process may be too time consuming to respond in a timely manner and that relying on the emergency trigger creates undue disruptions and is unwarranted when it can be handled in a less draconian manner through preplanning. CCEEB recommends that the ARB adopt a process to backfill the reserve before it is completely depleted. The refill mechanism should trigger once the reserve is 50% depleted to bring more supply into the market, recognizing that use of the reserve indicates scarcity in the market and potential liquidity problems.

Comment 6: Establish a work plan for compliance tools, guidance, and infrastructure
This regulation places many requirements on regulated entities, which must be able to plan for and comply within a timely manner. Entities will be unable to do so without the necessary enabling compliance tools, guidance, and infrastructure (e.g., compliance instrument tracking systems, a registration process, verified offsets, adequate third party verifiers, IT systems, training, and a dispute resolution process) in place from the onset of this regulation. Recent regulations, such as the AB 32 administrative fee and LCFS, have relied on regulatory enforcement advisories to minimize enforcement exposure when compliance tools and guidance have not been provided in a timely manner. Such delays and uncertainties will unnecessarily increase costs and exposure to violations.

CCEEB recommends that:

1) The ARB develop a work plan with a clear lists of tools, guidances, policies, trainings, and systems that they must develop, along with completion deadlines for each activity that must be in place for the regulated entities to comply. As this regulation is being developed, requirements should be explicit and transparent.

2) The ARB include a mechanism that links an entity's compliance deadlines directly to availability of theses compliance tools, allowing for sufficient lead time for facility compliance.

Comment 7: Adopt offset protocols as quickly as possible, avoid unnecessary limitations
CCEEB supports the idea of unlimited, high-quality offsets to constrain costs. Essentially all of the studies on the economics of cap-and-trade show that offsets are critical to minimize costs. In some models (most notably those by USEPA, CRS and CRA), cap-and-trade program cost reductions range from 40% to 80% depending on the model and the restrictions (or lack thereof) on the use of offsets. Limiting offsets increases costs to California businesses and leads to leakage of both jobs and emissions out of the state. Within California and the nation, economic modeling has demonstrated that offset projects will provide near-term opportunities for cost-effective, verifiable GHG reductions that deliver long-term, sustained emissions reduction benefits. Although the ARB adjusted its limits on the use of offsets, from 4% to 8%, this limitation is still unnecessary.

Previous adverse local impact arguments for offset limitations have been eliminated by the ARB Co-Pollutant Emission Assessment that indicates de minimis co-pollutant co-benefits from quantitative and geographic restrictions of offsets. This analysis dispelled concerns over increased potential increases in co-pollutant emissions as well as assumptions that communities could significantly benefit from additional co-pollutant reductions. Geographic restrictions and quantitative restrictions do not provide co-benefits. Unlimited and geographically unrestricted offsets will NOT cause environmental degradation. As such there, is no reason to limit the use of offsets as a compliance instrument. Abundant offsets will ultimately provide environmental benefits and effectively contain costs, yet this regulation unreasonably restricts their use.

Offset credits should be allowed without any geographical or quantitative restrictions. Restricting offsets generation to projects located within a certain geographic sphere or to those that provide co-benefits is contrary to what should be the fundamental aim of an offsets program, i.e. maximizing GHG reductions at the least cost to mitigate the effects of global warming.

Developing economies are using more energy to fuel their economic growth, thereby increasing global GHG emissions, while at the same time rejecting binding caps on emissions. If we place constraints on finding low-cost offsets in the name of obtaining local co-benefits or creating local "green jobs," California will inhibit the adoption of similar GHG policies in other nations. Moreover, imposing limits on the use of offsets—either quantitative or geographic—simply raises the cost of the emission reduction program. This increased cost will affect the ability to reach longer term and increasingly challenging emission reduction targets at a cost that is acceptable to society.

Instead, the ARB should move rapidly to adopt offset protocols and recognize other national and international offset programs, while establishing a process early for developing projects in California. This will ensure that local benefits are captured while still leading the developing world towards a low-carbon future. In addition, the restriction on carrying over unused portions of an entity's offset limit into subsequent compliance periods should be removed.

CCEEB recommends that the ARB adopt protocols rapidly to ensure that adequate supply is available in the first compliance period. Additional supply options should include:

a) Use of five additional Climate Action Reserve Protocols;
b) Use of offsets from Western Climate Initiative Partners;
c) Support the development of Pilot REDD Projects;
d) Allow use of Climate Action Reserve Landfill Credits generated before 2012;
e) Approve protocols developed by California air districts, as appropriate.

Comment 8: Revise enforcement penalties and establish a dispute resolution process

Mandatory Reporting

The recently proposed enforcement provisions that consider failure to report every ton of excess emissions and submittal of inaccurate information as separate violations would potentially result in unwarranted and excessive penalties, relative to other criteria pollutant penalties. GHG emissions levels are much higher than criteria pollutant levels. The mandatory reporting rule is complex, and the volume of data collected is enormous; the sheer size and complexity significantly increases the potential for unintended reporting errors. CCEEB recommends that the ARB return to the original penalty provisions, which provide the ARB with a mechanism to deal with fraud and intentional actions while managing unintentional errors in fair manner

Given the November 8, 2010 issuance of EPA's final reporting requirements for Subpart W, 40 CFR Part 98, we also recommend that the ARB conform Subarticle 5 with the final version of the EPA's requirements to the greatest extent possible in order to maximize consistency between these two mandatory reporting regulations. The final version of Subpart W reconciled a wide range of issues across several industry segments. The ARB's incorporation of Subpart W would serve to reflect those critical changes.

Dispute Resolution Process

Currently, the ARB Executive Officer and staff make significant enforcement decisions that are not subject to review. The only appeal process available to a regulated party is to sue the State. This requires significant resources and time that may not be reasonably available to the majority of regulated parties. Moreover, lawsuits frequently do not solve problems. In other situations, the ARB might wish to extend a compliance deadline, but there is no formal or public process to approve such an extension.

The AB 32 program requires that the ARB create a brand new, far reaching, and complex program under very tight statutory deadlines. The statutory deadlines are driving rapid development of regulations, which may have unintended consequences and unknowable problems. These types of problems, which bridge both energy and air pollution issues, require a dispute resolution process to allow for considerations and solutions outside of the traditional enforcement process and litigation.

CCEEB recommends that the ARB establish an independent administrative dispute resolution process that will provide a fair, efficient, and predictable process available to all regulated entities. This will reduce the money and time spent defending lawsuits and in informal negotiations. It will also increase the transparency of the appeal process as all interested stakeholders can weigh-in during the hearing. The proposed dispute resolution process could be modeled after existing air pollution hearing processes developed by the ARB for disputes that occur under local air district rules.

Comment 9: Expedite linking to other GHG cap and trade programs

California businesses will need access to a pool of verifiable offsets and allowances starting in 2012. Developing a new ARB offset review and approval process to review credits and allowances for use in California that have already been reviewed in the EU is costly and unnecessary. The EU carbon markets produce robust offsets and allowances. Linking to the EU would ensure a supply of high-quality and tradable market instruments for California's carbon market.

Relying on a limited market cap-and-trade program to reduce emissions in California without linkage to a broad liquid market loses the economic efficiency of the market-based approach and undermines the policy goals.

CCEEB recommends expediting linkage and making it a priority to be completed. If linkage is not possible, then CCEEB believes that other cost-containments measures must be adopted to soften the economic impact of this regulation and limit leakage of jobs and emissions.

Comment 10: Clearly state intent of ARB to seek equivalency to EPA's emerging GHG program or other alternatives to ensure California's businesses are not subject to duplicative GHG regulations

CCEEB is concerned that California businesses will be subject to duplicative GHG regulations from the state and federal government. Although it is unlikely that a federal cap-and-trade regulation will be forthcoming in the near term, EPA has been working to develop GHG regulations such as GHG BACT and NSPS. Compliance with duplicative regulations will be costly and will not result in material benefit toward our GHG reduction goals.

CCEEB recommends that ARB clearly state their intent to not subject California's businesses to duplicative GHG regulations.

Other secondary and specific recommendations

Offset Reversals

The ARB should clearly define why and under what conditions it would reverse an offset credit so that there is transparency in the market and protection for the consumer. All compliance mechanisms are approved by the ARB. As such, the ARB should describe its reasoning for and situations when reversals may be warranted due to unintentional, intentional, and changes to emissions factors, as part of this regulation.

CCEEB recommends the obligation to replace offset tons due to reversals should be treated differently depending on the cause of the reversal. For intentional or fraud-related reversals, such as when a forest offset developer decides to harvest the forest, then the developer who is making the business decision should be responsible for replacing the lost carbon sequestration. For unintentional reversals due to causes such as forest loss from fire, pests, disease, or bankruptcy, the lost carbon should be replaced from a reserve held back when credits are issued for such projects.

ARB Deadlines

Deadlines should be established for ARB decision-making processes to provide entities with a degree of certainty. Decision making processes include:

- Pg 48 (e) Completion of Registration. Registration is completed when the Executive Officer approves the registration and informs the entity and the accounts administrator of the approval. *The executive officer shall approve or deny a registration application within 30 days of submittal.*

- Pg 71 (3) When the data review and reconciliation process, as stated in section 95104 of the Mandatory Reporting Regulation, for a covered entity has concluded, the Executive Officer shall issue a final determination of the covered entity's triennial compliance obligation *within 30 days.*

- Pg 94 (l) Following the auction, the Executive Officer will:
  (1) Certify whether the auction was operated pursuant to this article *within 5 day*;
  (2) After certification, *immediately* direct the auction operator to:
  (A)Collect payments from winning bidders;

(B) Declare forfeit and retain the bid guarantee mechanism submitted pursuant to 95912(i) for any bidder that fails to tender full payment when due for allowances awarded at auction, in an amount equal to any unpaid balance.
(C) Deposit auction proceeds from sales of ARB allowances sold at auction into the Air Pollution Control Fund.
(D) Distribute auction proceeds to entities that consigned allowances for auction pursuant to 95910(d).
(3) Upon determining that the payment for allowances has been deposited into the Air Pollution Control Fund or transferred to entities that consigned allowances, transfer the serial numbers of the allowances purchased into each winning bidder's Holding Account;
(4) Inform each approved external GHG emissions trading system and the associated tracking system of the serial numbers of allowances purchased at auction; and
(5) Publish the auction results at www.arb.ca.gov.

Include a process to add to the list of fuels without a compliance obligation

§ 95852.2. Emissions without a Compliance Obligation.

Emissions from the following source categories as identified in sections 95100 through 95199 of the Mandatory Reporting Regulation count toward applicable reporting thresholds but do not count toward a covered entity's compliance obligation set forth in this regulation. *The Executive Officer may add additional source categories meeting similar criteria.* These source categories include:

Municipal Solid Waste

Municipal solid waste (MSW) combustion facilities (waste-to-energy) are currently included in the cap and trade program by virtue of the fossil-derived waste components of the incoming waste stream. The three impacted waste-to-energy facilities, all serving municipalities in the state, receive post-recycled waste that has the option of being managed at these facilities or at a local landfill. Directing post-recycled MSW to a landfill instead of a waste-to-energy facility will result in a greater amount of greenhouse gas emissions due to un-captured landfill methane emissions. In fact, if an avoided methane component is added to the overall emissions of the waste-to-energy facilities, the GHG CO2e emissions would become negative. The methodology for calculating these GHG CO2e emissions has been reviewed and approved by CARB staff.

The waste-to-energy facilities have no ability to control the incoming MSW, so there would be no opportunity to reduce fossil-based CO2 emissions, leaving the purchasing of allowances, or CARB compliance obligations, as the only option. Additionally, these facilities cannot pass these allowance costs through to their customers since the customers would instead choose the cheaper option of landfilling, resulting in a greater amount of greenhouse gas emissions, as described previously; an "internal to California leakage."

CCEEB believes that these waste-to-energy facilities should receive a full exclusion from compliance obligations rather than the partial exclusion outlined in § 95852.2 (d). This is consistent with other widely recognized International Cap and Trade frameworks, proposed federal climate legislation and the regional program, RGGI, which is an important consideration for future linkage. Finally, existing state law, H&S Code Section 41516 recognizes the important nature of these facilities, and "that such projects should therefore be encouraged as a matter of state policy." A huge financial burden placed on local governments to purchase allowances, with a strong potential to actually increase greenhouse gases if these facilities were forced to close down, is not consistent with this state policy.

There should be criteria on cause to terminate or limit authorization to emit or the sentence should be deleted.

- (c) Each compliance instrument issued by the Executive Officer represents a limited authorization to emit up to one metric ton in CO_2e of any greenhouse gas specified in section 95810, subject to all applicable limitations specified in this article. ~~No provision of this article may be construed to limit the authority of the Executive Officer to terminate or limit such authorization to emit.~~ A compliance instrument issued by the Executive Officer does not constitute property or a property right.

Minimize unnecessary bureaucratic requirements

- Investment grade credit-rated companies should not have to post bid guarantees. [pg 92 (i)]
- Disclosure of unnecessary information will place significant unnecessary reporting burden (i.e. Time of transaction, time of settlement, price) [pg 107 (b)(3,4,5)]
- Reporting of transaction to ARB is unnecessary since it will be recorded on the registry [pg 108 (c')]
- Should provide flexibility in the frequency of verification, as appropriate [pg 124 (b)]

Drafting errors and clarifications

Delete hydrocarbons from definition of GHG

Pg 14:

(84) "Greenhouse gas" or "GHG" means carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), sulfur hexafluoride (SF_6), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), ~~hydrocarbons,~~ and other fluorinated greenhouse gases as defined in this section.

Amend annual surrender deadline to date when verified emission reports are available. November was selected to coincide with triennial surrender date.

Pg 71

(d) Deadline for Annual Surrender. For any year in which a covered entity has an annual compliance obligation pursuant to section 95855, it must fulfill that obligation

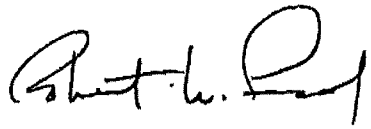
(1) By ~~May 15~~ November 1 of the calendar year following the year for which the obligation is calculated if entity reports by April 1 pursuant to section 95103 of MRR;
(2) By July 15 of the calendar year following the year for which the obligation is calculated if…

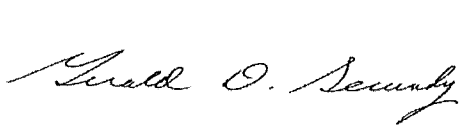
Correct subsection reference
Pg 85
(2) For investor owned electrical utilities receiving a direct allocation of allowances pursuant to 95892(b) and subject to the monetization requirement pursuant to 95892(c): the auction purchase limit in (A) does not apply. This subsection (B) shall not be interpreted to exempt said investor owned electrical utilities from any other requirements of this article; and ....

Pg 176
§ 95991. Sector-Based Offset Credits.
Sector-based offset credits may be generated through reduced or avoided GHG emissions from within, or carbon removed and sequestered from the atmosphere by, a specific sector in a particular jurisdiction. The Board may consider for acceptance compliance instruments issued from sector-based offset crediting programs that meet the requirements set forth in section 95994 and originate from developing countries or from subnational jurisdictions within those developing countries, ~~except as specified in subarticle 13~~. [Comment: believe this reference to subarticle 13 would limit sector based offsets to US, Canada, & Mexico per pg 113]

CCEEB would like to thank ARB for considering our comments on the proposed cap-and-trade regulations. CCEEB is a unique organization that represents a broad cross-section of the covered entities in California. As such, CCEEB is in a position to represent diverse industry sectors and would like to assist ARB in developing these ideas further. CCEEB looks forward to playing an integral role in the future development and operability of California's Cap-and-Trade Program. If there are any questions please call Robert Lucas at (916) 444-7337.

Sincerely,





Robert W. Lucas
Climate Change Project Manager

Gerald D. Secundy
President

cc: The Honorable Arnold Schwarzenegger, Governor
Susan Kennedy, Chief of Staff, Office of the Governor
Scott Reid, Cabinet Secretary, Office of the Governor
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Linda Adam, Secretary, California Environmental Protection Agency
Cindy Tuck, Undersecretary, California Environmental Protection Agency
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