

LAW OFFICES  
**JOHN H. REAVES**  
A PROFESSIONAL CORPORATION  
2488 HISTORIC DECATUR ROAD, SUITE 200  
SAN DIEGO, CALIFORNIA 92106  
Telephone (619) 525-0035  
Facsimile (619) 525-0077  
lawreaves.com  
December 15, 2010

Comments Regarding CARB's Cap and Trade Proposal Re

1) Auctioning of all allowances and 100% returned to CA citizens, and 2) No offsets.

To the California Air Resources Board:

I write to express my concern about two issues proposed by CARB as part of its cap and trade regulations. I understand CARB has already selected cap and trade as the mechanism to implement AB 32, so I will not address the merits of any other approach. Time is of the essence with climate change, so something – but something meaningful – needs to be done at this time.

First, if cap and trade is adopted, I would urge CARB to place some dollar value on every pollution allowance that is auctioned and to avoid any free allowances. If CARB is serious about attaining the rigorous goals of AB 32, *which will be complicated by our burgeoning population*, than it should ensure a reasonable price is placed on all carbon allowances from the outset. Sensitive to the current economic conditions in this state and country, I understand the possible desire to delay imposition of charging for all credits in order to minimize additional burdens to business in this state. While the goal is laudable, I think the better approach is to settle for some price that is reasonable, so as to set the proper price signal, and further propose a steady ratcheting up of the price, *offset by a return of the revenues to the people of this state* after a reasonable offset by CARB to pay for the cost of implementing AB 32. That way, an early signal is sent so that renewable energy gains a faster competitive edge which investors will consider to determine when and how much to invest in California's new, clean energy sectors. At the same time, a return of most of the revenues to the people of this state alleviates the impacts to the most affected people in a progressive manner.

Second, I strongly disagree with the use of offsets as a means to implement AB 32, and particularly to offsets outside of California. It appears it would be impossible to verify that offsets are “real, permanent, quantifiable, verifiable, enforceable, and additional,” given the lack of any proposed objective method to determine if such standards are met. Further, it is easy to conceive of methods for shady businesses to profit through manipulation. The obvious concern is that businesses will create a multi-billion “cottage” industry to exploit the system by feigning that an activity is “additional,” and the state will be hamstrung to prove otherwise, all while emission reduction targets are missed. California cannot afford to allow key, targeted polluting sectors to avoid reducing greenhouse gas emissions or to create perverse incentives to develop an offset industry.

Thank you for your consideration. Please feel free to contact me for any additional

information or thoughts on these important issues.

Very truly yours,

John H. Reaves