December 15, 2010

Kevin Kennedy

Assistant Executive Officer

California Air Resources Board

1001 I Street

Sacramento, California 95812

Subject: Proposed Greenhouse Gas Cap and Trade Regulation

Dear Mr. Kennedy:

Energy Independence Now (EIN) recognizes the continued leadership of the California Air Resources Board (CARB) and their development of revolutionary greenhouse gas (GHG) reduction policies and standards. Along with complimentary incentives, these GHG regulations will continue to create the market certainty required for California’s transformation to a low carbon economy based on clean, renewable technology. We appreciate the opportunity to comment on the proposed 2010 cap and trade regulation.

We would first like to stress the opportunity that the cap and trade regulation presents to create a sustainable source of substantial funding for GHG reduction technologies, specifically in the transportation sector – the single largest source of GHG emissions in California by sector.

We support CARB’s proposal to require 100% auctioning of allowances in the transportation fuels sector once implemented in Phases II and III. However, we urge CARB to ensure that the substantial revenue stream created by this process is invested back into the transportation sector and is utilized for GHG reduction measures. Broadly, these measures could include: funding for local governments to implement SB 375 and vehicle miles traveled reduction strategies, incentive funding for emerging clean vehicle technology, subsidies for alternative fuel infrastructure, and many others.[[1]](#footnote-1),[[2]](#footnote-2) While EIN recognizes that the California legislature is ultimately responsible for the allocation of funds, CARB should include stronger language and guidelines in the cap and trade regulation for the use of allowance auction revenue.

In addition, EIN recommends that allowances for refineries and oil production require auctioning rather than CARB’s proposed free allocation. This would allow a more competitive environment for emerging clean technology in the sector and potentially create an additional revenue stream for the development and adoption of these clean technologies. EIN acknowledges the fact that some free allocation in this sector is needed to prevent leakage. The Economic Allocation Advisory Committee found that only a small amount of free allowances may be needed to address leakage, but that further analysis is needed for the oil industry due to unique requirements for California fuel.[[3]](#footnote-3)

Furthermore, the amount of free allowances distributed in this sector should not be based on the amount of petroleum produced or refined as currently proposed. This will act as an incentive for refineries and oil producers to increase their throughput rather than invest in efficient or clean technology. Rather, EIN recommends that allocations to the industry should be based on performance and that allowance value should be used to help transition the sector to more efficient and cleaner practices.

Thank you for the opportunity to submit these comments and for your consideration.

Sincerely,

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Associate Director, Energy Independence Now

1. Much of California’s current incentive funding for clean vehicle technology declines rapidly by 2015, when Phase II and the resulting auction revenue would begin. [↑](#footnote-ref-1)
2. The EAAC report recognizes the need to fund local governments and regional agencies for land use and transportation related reductions as well as other critical investments. [↑](#footnote-ref-2)
3. EAAC report, “Allocating Emissions Allowances Under California Cap-and-Trade Program” March 2010 (p.3) [↑](#footnote-ref-3)