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July 28, 2011

Governor Jerry Brown
State Capitol, Suite 1173
Sacramento, California 95814
Via fax: (916) 558-3160

Mary Nichols, Chair
California Air Resources Board
1001 "T" Street
Sacramento, California 95812
Via fax: (916) 327-5748

Submitted to ARB Rulemaking Docket at <http://www.arb.ca.gov/lispub/comm/bclist.php>

Re: Carbon Offsets—Particularly REDD Credits—Undermine the Environmental Integrity and Public Benefits of AB 32

Dear Governor Brown and Chair Nichols:

We strongly urge your administration to prioritize policy options that uphold AB 32's requirements to avoid disproportionate impacts to low-income communities; and to maximize environmental, economic and public health co-benefits for California.

We are concerned that the carbon trading system approved by the Air Resources Board (ARB) in December 2010 will not deliver on those requirements. Studies show that cap-and-trade programs can create pollution "hot spots" in low-income communities of color, exacerbating the toxic burden borne by these communities.^[1] In Europe, carbon trading systems have also been plagued by numerous trading scandals.

The carbon trading program approved by ARB replicates many of the problems seen in the European model. One serious flaw is that the ARB's rules allow some of California's biggest polluters to meet the vast majority of cumulative reductions from business-as-usual pollution reductions through 2020 through the purchase of carbon offset credits, which can come from outside California and eventually from outside the United States. A University of California study looked at six types of air pollutants and found that under this scenario (which allows 50% of offsets to be sourced out of state), California's air pollution would actually increase in five out of six pollution categories.^[2] Such offset loopholes deprive California of the environmental, economic and public health co-benefits that a carbon cap purportedly provides. The Legislative Analyst's Office also found that the complexity of ARB's cap and trade system opens it up to

^[1] Minding the Climate Gap, What's at Stake if California's Climate Law isn't Done Right and Right Away, Manuel Pastor, Ph.D., Rachel Morello-Frosch, Ph.D., MPH, James Sadd, Ph.D., Justin Scoggins, M.S., April 16, 2010.

^[2] Roland-Holst, David, "Carbon Emission Offsets and Criteria Pollutants: A California Assessment," Center for Energy, Resources and Economic Sustainability, University of California, March 2009 at http://www.ucusa.org/assets/documents/global_warming/Offsets-and-Criteria-Pollutants.pdf.

gaming and that the State of California lacks authority to effectively regulate markets arising from a cap and trade system.^[3]

We are particularly alarmed at plans to allow international forest carbon offsets, known as REDD (Reduced Emissions from Deforestation and Degradation) credits, to enter California's carbon trading system. No other carbon trading system in the world has allowed such credits to enter their program because of serious, and perhaps intractable, problems with environmental integrity. However, under the Governor's Climate and Forests Task Force and the REDD Offsets Working Group, California is working with the heads of several provinces and states to provide recommendations to policymakers and to secure REDD offsets.

California's tight timetable to create REDD carbon credits is undercutting the years of study, effort, and deliberation conducted by policy-makers engaged in other REDD processes (such as the United Nations Framework Convention on Climate Change, UNFCCC) aimed at ensuring the effectiveness of REDD programs. Successful REDD efforts will require meaningful governance reform, respecting the rights of indigenous peoples and local communities, as well as addressing the underlying drivers of deforestation. These measures take both time and political will and cannot be solved with injections of private capital alone. We therefore urge you to suspend further work on REDD until and unless a decision is taken at the UNFCCC that ensures social and environmental integrity as well as financial market stability.

We also urge you to direct the Air Resources Board to take alternative measures to implement California's most important global warming law, AB 32, that prioritize emissions reductions in communities impacted by toxic air contaminants and preserves social and environmental integrity.

Sincerely,

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^[3] California Legislative Analyst's Office, "Cap-and-Trade Market Issues" June 29, 2011, accessed July 28, 2011, at http://www.Lao.ca.gov/Handouts/Resources/2011/Cap_And_Trade_Market_Issues_062911.Pdf.