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**Open Letter to the ARB**

Air Resources Board

1001 I St.

Sacramento, CA 95812

To the Board:

Financial commitment to HSR diminishes Cap and Trade’s credibility and ability to meet the goals of AB 32 for the following reasons:

* It has greatly reduced offending entities’ **incentive** to stop polluting.
* The HSR project has been recognized as ineffective in reducing **GHG’s.**
* If the HSRA, undertaking the largest project ever to impact so much of our state, were ever to be released from **CEQA,** the ARB would have grounds to disqualify it from receiving funds from C&T. For now, contributing the designated 25% of C&T funds should be suspended, because HSRA’s ongoing effort to be release from CEQA threatens to weaken or eliminate CEQA as the legal guardian of our environment.

With revenues currently being diverted to High Speed Rail (HSR), Cap and Trade (C&T) is no longer directed toward carrying out the goals and intent of AB 32.

**Incentive:**

With the state fuel tax in effect, the consumer is footing the bill at the pump, to bail out HSR. As a result, what **incentive** do polluters have to reduce their emissions? Consumers and taxpayers are picking up the tab for HSR, while corporate over-polluters go through the motions of being penalized by having to purchase credits at auctions.

Secondly, HSRA speculates that investors are likely to invest in HSR if Cap and Trade provides a steady cash flow for the project. (https://www.youtube.com/watch?v=XVxieksoBAU --See:15:50 to 16:40 minutes.)

Expecting Cap & Trade to lure investors will reduce any **incentive** on the part of big polluters to cut back on emissions because, in effect, C&T revenues will fall if they do. In order to appeal to investors, C&T revenues must remain consistently high. Since January 2015, with the fuel tax fully in effect, revenues have been higher than ever – an early sign that C&T’s involvement with HSR is an environmental drawback.

C&T funding of the HSR project and C&T environmental goals are mutually exclusive because the **incentive** for offenders to stop polluting is nullified.

**GHG Reduction:**

Several prevalent arguments indicate that HSR will have adverse and/or insufficient effects on **GHG reduction**. Here are just a few:

* According to the LAO, HSR will be a 30-year net polluter – far past the 2020 deadline set by AB 32, to rollback **GHG** emissions to 1990’s levels.
* HSR will only take 1 year’s worth of driving off the road over a 58-year period of operations. This is not an environmentally justifiable use of our 68 billion-plus capital expenditure, to which C&T has currently committed 25% of its revenues.

(http://www.sacbee.com/news/politics-government/dan-walters/article16538015.html)

* The processing, transport and laying of concrete to build the project, alone, will dramatically offset any reductions in **GHG** emissions that HSRA claims to accomplish. (http://www.fresnobee.com//news/local//high-speed-rail/article 19521585.html)

On environmental grounds, HSR does not justify the means necessary to keep it afloat – specifically, the use of C&T funds. Yet, C&T is involved in what can only be termed a “bailout” of the financially botched HSR project. The more C&T jumpstarts this project, the more it is putting the state at a disadvantage environmentally and fiscally.

**Grounds to Disqualify HSR from Receiving C&T Funds:**

No state agency that attempts to escape **CEQA** regulations should ever benefit from Cap and Trade revenues. If HSRA continues down that path, logically the following exigency must be enforced: C&T, a state environmental program, would necessarily have to rescind all funding to the HSR project. Several attempts to soften **CEQA** regulations or to exempt the HRS project from **CEQA** have occurred since 2012. At this time, the ARB needs to hold back funding to a project of this magnitude, in favor of remaining in alignment with **CEQA** regulations, rather than being complicit with HSRA’s efforts to avoid them.

Furthermore, the ARB needs to thoroughly examine the true environmental impact of the HSR project, as well as the feasibility of it ever being completed. The ARB needs to account for the financial and environmental risks involved in HSRA’s piecemeal construction plans, now in limbo due to the fact that HSRA currently has no route or engineering plan for crossing the Tehachapi Mountains, leaving a gap between Bakersfield and Palmdale. (https://www.youtube.com/watch? v=aThKSQ7dixA) If ever a plan is developed for crossing the Tehachapis, **CEQA regulations** will be extremely necessary to protect that region’s ecosystems, as well as the seismic safety of areas in and beyond it.

**Conclusion:**

The Air Resources Board, the State Legislature, Governor Brown and California citizens need to wake-up to the fact that Cap and Trade’s involvement with HSR puts the ARB and C&T at odds with the goals of AB 32. If the ARB continues to enable this massive, multi- billion-dollar project, that has no viable financial plan, a shoddy construction plan, and the intent to become exempt from CEQA, the board will be putting our state in grave jeopardy. I urge the ARB to review its misguided commitment to funding HSR through Cap and Trade and to end this perilous bailout immediately.

Sincerely,

Cherylyn Smith