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For the Public Record

November 6, 2015

To: California Air Resources Board, Department of Finance, and Office of the Governor

Re: Comments on the Cap-and-Trade Auction Proceeds Second Investment Plan 2016-2019

Thank you for considering these comments on the Cap-and-Trade Auction Proceeds Second Investment Plan. Since 2006 my comments have consistently encouraged the California Air Resources Board (ARB) to return most or all of the auction proceeds to the public following the Cap & Dividend model.<sup>1</sup>

Instead, the State has chosen to devote hundreds of millions of dollars from Cap & Trade funds towards high-speed rail and transit-oriented development. These may or may not be good things in and of themselves, but the legitimate question raised by the Legislative Analysts Office<sup>2</sup> and others is whether high-speed rail and transit-oriented development are the best uses of Cap-and-Trade funds.

The problem with using permit revenues for projects that reduce emissions is that due to the economics of Cap-and-Trade, the overall level of emissions is determined by the cap, not by the price of the permit. Emission reductions may reduce the price of the permit in the sector where the funds are spent, but this may only serve to create space under the cap that will be filled by emissions from other sectors. I request ARB respond to this issue in the Final Investment Plan, and inform the Governor, the Legislature, and the public in its communications regarding the spending of auction proceeds.

A better approach is to focus the Investment Plan on directing the funds back to people. The California Climate Credit showing up twice a year on electricity bills is a good start. The state could expand that to an off-bill per capita dividend that would be simple, transparent, and be inclusive of disadvantaged communities not just coastal cities. Please see my comment on the 2013 Investment Plan for additional information on suggestions for how to include a Household Dividend and a Transportation Dividend as steps toward a more general Climate Dividend.<sup>3</sup>

Many people do not understand climate dividends. It is about transforming the economic system, not about funding specific projects. I urge ARB staff to read Peter Barnes' books, including *Who Owns the Sky?*, *Capitalism 3.0*, and *With Liberty and Dividends for All*.

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<sup>1</sup> An archive related to this work is at <http://www.carbonshare.org/californiaAB32.html#advoc>. My recent article "Five Ways to Improve California's Cap and Trade System" is on Huffington Post at [http://www.huffingtonpost.com/mike-sandler/five-ways-to-improve-california\\_b\\_7869250.html](http://www.huffingtonpost.com/mike-sandler/five-ways-to-improve-california_b_7869250.html)

<sup>2</sup> <http://www.lao.ca.gov/reports/2014/budget/cap-and-trade/auction-revenue-expenditure-022414.pdf>

<sup>3</sup> <http://www.arb.ca.gov/lists/com-attach/209-ghgductfund13-VDdQQNvU20AY1c5.pdf>

The dividend can support climate justice in disadvantaged communities. The climate dividend concept can be a bridge to global anti-poverty movements focusing on the concept of "basic income," and international development efforts promoting "unconditional cash transfers." In a separate effort, the State is considering establishing a State Earned Income Tax Credit (EITC).<sup>4</sup> The climate dividend could help make that a reality.

California seeks to be a national and international template for carbon pricing. California is sure to have an influential "subnational" delegation at the Paris Climate Conference in December. An upgraded Cap-and-Trade 2.0 would really give them something to brag about.

I also note that biochar is not mentioned in the Investment Plan. Biochar is a worthwhile potential carbon sequestration technique that complements composting and biogas generation.

Thank you for your consideration.

Sincerely,

Mike Sandler

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<sup>4</sup> <http://calbudgetcenter.org/blog/proposed-state-eitc-would-significantly-boost-the-incomes-of-californias-lowest-earning-workers/>  
[http://www.mercurynews.com/california/ci\\_28114306/california-budget-brown-set-release-revised-spending-proposal](http://www.mercurynews.com/california/ci_28114306/california-budget-brown-set-release-revised-spending-proposal)