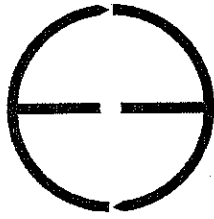


16-8-4

Mikhael Skvarla



California Council for Environmental and Economic Balance

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September 19, 2016

Clerk of the Board
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Potential 2016 Amendments to Cap-and-Trade Regulation

Dear Board Members:

On behalf of the members of the California Council for Environmental and Economic Balance ("CCEEB"), we thank the California Air Resources Board ("ARB") for this opportunity to comment on the proposed regulation for potential amendments to the Cap-and-Trade Program. CCEEB is a coalition of business, labor, and public leaders that works together to advance strategies to achieve a sound economy and a healthy environment. Founded in 1973, CCEEB is a non-profit and non-partisan organization.

CCEEB supports a well-designed Cap-and-Trade program as the most economically efficient and environmentally effective policy for California to achieve statewide greenhouse gas emission reductions. With SB 32 now law, CCEEB believes that an additional emphasis on Cap-and-Trade is necessary to achieve cost-effective emission reductions and to send a clear market signal to achieve the 2030 reduction goal. Additionally, Cap-and-Trade provides needed flexibility for compliance entities and the potential to export the policy to other jurisdictions through linkage or sector-based offsets.

Climate change cannot be mitigated by California alone. California's ability to reduce greenhouse gases in an economically efficient way can serve as a critical example that encourages other jurisdictions to link to California, or emulate the State's approach. Adding extraneous policies, stringency, or complexity that does not enhance the efficacy of the program will discourage rather than encourage other States to join the fight against climate change.

Open Data

CCEEB is concerned that it is difficult to analyze the economic impacts of the proposed amendments and the 2030 cap due to the lack of information on trade exposure status, holding limits or other cost containment policies (besides Allowance Price Containment Reserve (APCR)). Reports such as the Resources for the Future and University of California, Berkeley Employment and Output Leakage under California's Cap-and-Trade Program and Measuring Leakage Risk papers that are utilized to make decisions that have significant impacts on industry and the economy lack access to raw data and assumptions needed to ensure the conclusions they have reached are confirmable and plausible.

Stakeholder engagement has been difficult, almost impossible without the information on what the program will look like post-2020. The inability of stakeholders to analyze the potential impacts between 2020 and 2030 short changes our ability to provide meaningful feedback on the proposed cap. Simply stated, GHG emissions will be capped at roughly what the entire transportation sectors emissions are today. We encourage ARB to consider whether it is truly appropriate to set the cap based on the prior assumptions that 77% of the emissions will be under the cap in 2020. The assumption of 77% of the State's emissions when applied to the 2030 context may result in an unnecessarily stringent cap of 200.5 mln t/yr. Since the mix of covered entities and the amount of emissions will change over time and the new 2030 goal is very stringent, the rationale for the cap number should be more robust than simply that ARB applied the same percentage as in 2010's rulemaking. It is not clear why it is necessary to make the cap for Cap-and-Trade more stringent than the overall State goal of 256.6 mln t/yr.

Increasing Costs

The proposed restructuring of the program (1) increases costs through the APCR changes, (2) are unnecessary and, (3) complicate what should be a streamlined and effective program. Many of the proposed changes tighten the allowance market which is unnecessary, particularly in light of legal uncertainty around the program which is artificially depressing prices. These restructuring proposals are contrary to the statute itself which requires a cost effective approach. They are also premature attempts to control short term variation in the market and auction subscription after only one compliance period under the shortest and shallowest cap.

Offsets

Offsets, including sector-based forestry protocols, provide a critical cost containment function to the Cap-and-Trade program. Cost containment improves environmental outcomes and helps protect Californian businesses and residents, while helping to ensure the success of Cap-and-Trade as a model program.

Offsets achieve "additional" GHG emissions reductions outside of the cap, meaning that offsets come from sectors not directly regulated under AB 32. Besides bringing more businesses and economic activity into AB 32, offsets provide critical benefits to California. Offsets must be real, permanent, quantifiable, verifiable, enforceable, and provide additional emissions reductions that can lessen the economic burden on California businesses, workers, and residents. Additionally, offsets help demonstrate California's global leadership and prove the success of a well-designed program, thereby influencing regions that may not be currently considering their own actions. Global change is needed to avert climate crisis. Commitment by a State and economy as large as California will not be enough on its own to affect the global concentration of GHG emissions. The California program will only be successful if it can catalyze global change and prompt others to develop similar programs.

Conclusion

CCEEB thanks ARB for considering our comments on the proposed amendments to the Cap-and-Trade regulation. CCEEB represents a broad cross-section of the covered entities in California. As such, CCEEB is in a position to represent diverse industry sectors and offer our assistance to ARB in developing these ideas further. CCEEB looks forward to playing an integral role in the future development and operability of California's Cap-and-Trade Program. Please contact me or Jackson R. Gualco, Kendra Dajjogo or Mikhael Skvarla, CCEEB's governmental relations representatives at The Gualco Group, Inc. at (916) 441-1392.

Thank you for considering our comments.

Sincerely,


GERALD D. SECUNDY
President

cc: Mr. Bill Quinn
Ms. Janet Whittick
The Gualco Group, Inc.

16-8-4
Mikhael
Skvarla

Legislative Intent—Assembly Bill No. 197
August 31, 2016
E. Dotson Wilson
Chief Clerk of the Assembly
State Capitol, Room 3196

Sacramento, California

Dear Mr. Wilson: The purpose of this letter is to clarify the intent of my Assembly Bill 197.

AB 197 adds Section 38562.5 to the Health and Safety Code, within Division 25.5 (i.e., AB 32). Section 38562.5 requires the Air Resources Board (ARB) to prioritize emission reduction rules and regulations that result in direct emission reductions at large stationary, mobile, and other sources of greenhouse gas emissions.

It is my intent that nothing in Section 38562.5 shall be interpreted to preclude ARB from adopting any market-based compliance mechanism pursuant to AB 32.

Thank you for this opportunity to clarify my intent in AB 197.

Sincerely,
EDUARDO GARCIA, Assembly Member
Fifty-sixth District