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CALIFORNIA CHAMBER OF COMMERCE

May 26, 2016

Ms. Mary Nichols
Chair, California Air Resources Board
1001 I Street
Sacramento, CA 95814

Subject: Comments on the California Air Resources Board Proposed Short-Lived Climate Pollutant Reduction Strategy (April 11, 2016)

Dear Chair Nichols:

The California Chamber of Commerce appreciates the opportunity to comment on the California Air Resources Board's (CARB) Short-Lived Climate Pollutant Reduction Strategy (Strategy) following CARB's public workshops.

CalChamber is the largest broad-based business advocate in the state, representing the interests of over 13,000 California businesses, both large and small. Many of CalChamber's larger members are directly covered by regulations under the Global Warming Solutions Act of 2006 (AB 32) and the cap-and-trade regulation, while many other smaller members will likely experience indirect impacts in the form of new costs passed down from upstream fuel and energy providers. California is at the forefront of climate policies and is working diligently to achieve the goals of AB 32. The Strategy will lead to duplicative regulations and increased costs for operations within the state.

INCONSISTENT WITH EXISTING CLIMATE POLICY

The Legislature has not acted to extend California's climate policy beyond 2020. Without comprehensive action, this Strategy will establish a separate, potentially duplicative policy that is not connected to the State's broader climate change efforts. Moreover, the Strategy establishes a new baseline for action to reduce emissions. AB 32 established a 1990 baseline which has driven California's climate change efforts. Establishing a new baseline of 2013 for SLCPs causes inconsistency in the current climate programs and potential barriers to establishing a streamlined, efficient program. Even more perplexing is; how would this program mesh with the current proposals at the CARB? How do these programs all fit together?

OVERLAPPING REGULATIONS

SLCPs include methane, black carbon (i.e. soot), tropospheric ozone, and some hydrofluorocarbons (HFCs). Some of these emissions are already regulated under AB 32, but all of these emissions are currently directly or indirectly regulated at the Federal, State, or Local level. Duplicative regulations will only drive up costs without regard to environmental or health benefits.

Because this Strategy is creating new mandates, outside the purview of AB 32 or other air quality programs, emission reductions in the Strategy will not be counted towards AB 32 goals, therefore creating additional regulatory burdens on businesses in the state. Localized emissions, many of which are precursors of short-lived climate pollutants, are already heavily regulated by local air districts as well as by state and or federal law. The Strategy will triple the efforts to regulate these emissions resulting in increased costs and unnecessary regulatory burdens.

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INVENTORY

The specified reductions under the Strategy require a 50% reduction in anthropogenic black carbon, 40% reduction of methane and a 40% reduction in fluorinated gasses below 2013 levels by 2030. In order to ensure we can meet the goals of the Strategy, or if we have identified the correct sources, we need a detailed inventory. The CARB has not offered a definitive state-level inventory or an explanation of how the targets were selected. In order to determine the best policy options, CARB needs to include a baseline for evaluation of California's contribution to SLCPs.

DIRECT REGULATION ELIMINATES IN-STATE OFFSETS

Offsets are an important part of the state's cap-and-trade program. While offsets are limited to only 8% of one's compliance obligation, they are a way to help keep compliance costs down while making direct GHG emission reductions in the state. For example, dairy digesters are eligible for offset credits by reducing methane on-site, providing some financial incentive. However, dairy digesters are expensive, and to meet the goals of this bill, roughly 600 digesters will be needed at a potential cost of billions of dollars. The Strategy will eliminate the potential for these offsets by directly regulating methane, making these projects less cost effective.

NO REQUIREMENT TO MINIMIZE OR ELIMINATE LEAKAGE RISK

One major tenet of AB 32 is that the state must focus on policies that minimize leakage. This is intended to ensure that California industries can remain competitive against global market players. The Strategy fails to include any discussion of minimizing leakage. In fact, there is risk that the Strategy could increase emissions from these sources if industries move operations to other jurisdictions that do not have similarly rigorous regulations that make California's businesses some of the most environmentally friendly and efficient operations in the world.

Thank you for the opportunity to provide comments on the Proposed Short-Lived Climate Reduction Strategy Plan. We look forward to continuing to work with CARB on this issue.

Sincerely,

Amy Mmagu
Policy Advocate

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