



April 28, 2014

Co-Chairs:

Governor Gray Davis (Ret.)
George L. Pla

Mary Nichols, Chairman
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Vice-Chairs:

Diana Hendel, PharmD
Wayne Darbeau

RE: Comments on Proposed Update to the AB 32 Scoping Plan

SCLC Board:

Governor Pete Wilson
Governor George
Deukmejian
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Thomas H. Thornton III
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Robert Wolf

Dear Chairman Nichols:

The Southern California Leadership Council (the “Leadership Council”) appreciates the opportunity to comment on the proposed update to the AB 32 Scoping Plan (“Update”). The Leadership Council is comprised of three former California governors and the presidents and CEOs of major companies and key agencies from throughout Southern California, and it focuses on public policy issues critical to economic vitality, job growth and the quality of life in the region. Among the Leadership Council’s priority issues is climate change and, in particular, implementing California’s climate policies in a way that maintains our state’s global competitiveness.

The Leadership Council has reviewed the Update while keeping in mind its long standing position on climate change, which reads as follows:

The Southern California Leadership Council supports California’s commitment to maintaining and advancing its position as a global leader on climate change, provided the myriad of policies that must be applied in order to achieve this objective are implemented in ways that are feasible and balanced, and that work effectively for business, industry and consumers so as to assure California competitiveness, and to enhance economic development and job creation – especially green jobs.

The Leadership Council recognizes that even if California achieves its greenhouse gas (GHG) emission reduction goals, the challenge of global warming will not be fully addressed, and a level economic playing field in domestic and international markets will not exist, unless the remainder of the world does the same. The Leadership Council believes that California’s greatest contribution to addressing this issue will be demonstrating to the rest of the world how GHG emissions can be reduced smartly, cost-effectively, and in a manner which retains or improves a state’s or country’s global economic position. This has the best potential to create “smart followers” of California’s GHG efforts and thus a global solution to climate change.

Executive Staff:

Billie Greer
President

Richard Lambros
Managing Director

California's leadership on climate change began in earnest with the adoption of AB 32 in 2006. ARB's first Scoping Plan, adopted in 2008, was a critical road map for achieving our state's new, ambitious GHG emission reduction goals. Since then, California either now leads the country or nearly so in most major categories related to greenhouse gas (GHG) emission reductions and clean energy. For example, as to GHG reduction, the U.S. Energy Information Administration (EIA) recently reported that California ranks in the top 5 both for lowest emissions per capita and carbon intensity. And, as to clean energy, California now leads the U.S. in solar power, producing over 17% of all solar energy in the United States.

We commend ARB for its leadership in achieving these and other climate related goals. Due to this leadership, California is now on pace to lower its GHG emissions to at or below 1990 levels by 2020 – the primary objective of AB 32 and the regulations issued pursuant to it. While this major achievement is called out in the Update, it receives less appreciation than it deserves.

Certainly, ARB fully appreciates the herculean efforts undertaken thus far to put California on a trajectory for achieving its 2020 GHG emission goals. Major coordination among multiple government agencies, multiple business/industry sectors and thousands of private sector firms has been necessary to launch major new regulatory programs such as Cap-and-Trade, the Renewable Portfolio Standard, the Low Carbon Fuel Standard, Distributed Generation, the Sustainable Communities Strategies (SB 375), and others. As further work is done to meet 2020 targets, these programs, which remain works in progress, will continue to evolve, with full implementation yet to come.

One of AB 32's primary purposes is to provide an interim review, including new data and analysis, focused on ARB's programs designed to provide key information about program cost-effectiveness, emissions leakage, and other issues so that the legislature and regulators can intelligently consider what adjustments might be warranted while still aiming to meet 2020 goals. Therefore, the Leadership Council expected that the Update would provide a thorough analysis as to the costs, benefits and economic impacts of AB 32 and its related programs thus far. However, there is little of such analysis in the Update, and, without it, it is practically impossible to determine the true economic impacts of AB 32 – now, in 2020, or beyond. Consequently, the Update seemingly fails to fulfill its purpose.

Rather than focusing on 2020 goals and the related economic analysis, the Update is primarily devoted to projecting beyond 2020 toward achieving a statewide, 2050 regulatory objective of reducing all California GHG emissions to 80 percent below 1990 levels. Also included in the Update is a recommendation for mid-term, statewide and sector targets relative to the 2050 goals. The 2050 target is derived from Executive Order S-3-05 (which was issued before enactment of AB 32) and Executive Order B-16-2012 (specific to the transportation sector). Given these executive orders, we understand why ARB was compelled to (i) address planning for 2050 in the Update, (ii) outline various actions that might be needed to achieve the 2050 goal, and (iii) highlight the challenges that must be surmounted and the comprehensive changes that will be needed to do so.

Taken as a whole, however, the Update assumes that achieving AB 32's 2020 GHG emission goals is a given and, consequently, that California now needs to move with all due speed toward planning for 2050 with the aim of targeting an 80% reduction below 1990 GHG emissions levels. The latter assumption concerns the Leadership Council, which wants our state's climate change policies to move forward appropriately and effectively. Specifically, the Leadership Council believes that California must remain a

global leader on climate change policy, but, do so in a way that also maintains our state's global competitiveness. Therefore, the Leadership Council recommends that the following steps be undertaken by the state before setting any new long-term GHG emission reduction goals for California:

1. **Economic Analysis** – Develop thorough economic analyses, including cost-benefit analyses, of climate change policy impacts on California, with particular emphasis on California's economic competitiveness and any unintended consequences affecting business, industry and consumers. Such analyses must shed light on short-term, mid-term and long-term impacts and provide analysis of policy alternatives for achieving climate change goals.
2. **Integrated Planning and Policy Coordination** – Develop (possibly through legislation) a better process of assuring that there will be integrated planning and policy coordination between the various agencies involved in achieving GHG emission reductions (ARB, CEC, PUC, Caltrans, etc.) in order to assure that air goals are achieved in a way that balances the needs of other important policy areas (such as energy, water, transportation, housing, agriculture, etc.). For example, energy policy is one area where there are multiple agencies involved, and yet no fully integrated state plan exists at this time.
3. **Enact Legislation** – Based on the economic analysis and policy coordination that the Leadership Council calls for above, enact legislation that will establish long-term climate change and GHG emission reduction goals for California. Given the tremendous costs and impacts on California's citizens and businesses which will likely result from such goals, and given the need for clear statutory authority for advancing the new regulations and programs that will be necessary, a legislative approach to goal setting is both sound and appropriate.

Notably, throughout the Update document, ARB champions themes including support for sound economic benefits, policy coordination, fair and public process for developing climate policies and other steps similar to those we have outlined above. In fact, the section of the Update titled, "California's Approach to Climate Change," concludes as follows:

California's approach is one firmly grounded in science and public process, built from coordinated, integrated planning and cost-effective policy design, and accomplished through consistent, fair policy implementation. Continuing to build on this successful framework will foster broader action and continued progress on a global scale to address climate change—and deliver even greater benefits to California's economy, environment, and quality of life.

With this statement in mind, the Leadership Council believes that the action steps outlined above are necessary and should be undertaken right away by ARB in conjunction with the governor and the legislature and with the involvement of other agencies, commissions and departments, as appropriate. During that process, attention should be given to setting aside the current 2050 goals set forth by the executive orders and replacing them with new long-term GHG emission goals established through legislation. The goal should be to enact such legislation well in advance of 2020. In the meantime, AB 32 already provides clear goals and direction to guide California's climate change program.

The Leadership Council shares ARB's view that California should be a global leader on climate change and believes strongly that actions to reduce GHG emissions be done in a way that maintains our state's economic competitiveness.. Doing so will be difficult, because doubtless there will be diminishing returns to progressive investments in GHG reductions; and low-hanging fruit will be soon all be harvested. California's policymakers need to understand the economic implications of both establishing the overall long-term goal and the steps needed to reach that goal. Through such an approach, California has the best chance to create not only "true believers" but also "smart actors" concerning California's GHG efforts and thus a global solution to climate change.

The Leadership Council thanks ARB for the opportunity to comment on the Proposed Update to the AB 32 Scoping Plan. We respect the hard work that ARB has done thus far under AB 32; and we look forward to continuing to work with ARB toward maintaining and enhancing California's environmental and economic leadership.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard J. Lambros". The signature is fluid and cursive, with a large initial "R" and "J".

Richard J. Lambros
Managing Director