

9 July 2021

## IETA's COMMENT LETTER ON CARB'S SCOPING PLAN

The **International Emissions Trading Association (IETA)** welcomes this opportunity to submit feedback to the California Air Resources Board (**CARB**) on the 2022 Scoping Plan. IETA is a non-profit business organization that supports market-based approaches to addressing climate change. Our membership includes leading companies from across the carbon trading cycle. IETA seeks to develop market-based mechanisms that result in real and verifiable greenhouse gas reductions, while balancing economic efficiency with environmental integrity and social equity.

IETA supports California's efforts to achieve carbon neutrality no later than 2045 and to achieve net negative emissions thereafter. Starting with the first Scoping Plan in 2008, CARB has used cap-and-trade as a backstop to ensure state targets would be met if direct policies underperformed.<sup>1</sup> These direct policies have crowded out abatement that the cap-and-trade program would have achieved at lower cost, leading to decreased demand for allowances and lowered allowance prices. Continued dependence on direct policies results in unnecessarily expensive abatement and strains California's fiscal resources. For example, even today, with relatively modest levels of ambition, California's Legislative Analyst's Office found that "the state's transportation-specific [climate] policies are generally much more costly ways to reduce emissions than carbon pricing policies, such as cap-and-trade".<sup>2</sup> IETA believes that California must shift more of the burden of climate action to the cap-and-trade program if it is to succeed in achieving its carbon neutrality target.

IETA recommends that CARB's 2022 Scoping Plan explicitly model a cap-and-trade scenario with caps declining to net zero by 2045. This scenario would center cap-and-trade as the workhorse strategy for achieving most of the abatement required to achieve carbon neutrality in California. If CARB does not consider cap-and-trade to be such a workhorse, then it relegates itself to choosing from a suite of second-best options. This would unnecessarily increase consumer costs and lower the probability of achieving carbon neutrality. In addition, continued reliance on direct policies rather than cap-and-trade will forego the opportunity that higher allowance prices afford, including more revenue for the State to spend on protecting disadvantaged communities. California should not be required to fight for carbon neutrality while leaving its most powerful market-based tool on the bench. IETA therefore urges CARB to explicitly model a cap-and-trade workhorse scenario in its 2022 Scoping Plan.

We look forward to engaging with CARB staff and other stakeholders further on this topic. Please direct comments or questions to IETA's Managing Director, Katie Sullivan ([sullivan@ieta.org](mailto:sullivan@ieta.org)).

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<sup>1</sup> California Air Resources Board. 2008. A Framework for Change.

<sup>2</sup> Legislative Analyst's Office. 2018. Assessing California's Climate Policies—Transportation.