

April 10, 2017

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

Online Submission: <https://www.arb.ca.gov/lispub/comm/bclist.php>

COMMENTS ON 2030 SCOPING PLAN

These comments are submitted to the Air Resources Board (“ARB”) with respect to the Proposed 2030 Scoping Plan. We urge the ARB to continue to use Cap and Trade as the principal tool for climate protection. That approach has been successful, so much so that it has attracted interest from Canadian provinces who have joined in the effort. By making a larger market, emission reductions of climate pollutants can be achieved at lower cost.

An important feature of AB32, as it is for the Canadian provincial programs, is the use of offset credits. Offsets generated from sources not within the cap bring greater reductions than could be achieved by ARB for sources within California alone.

1. ARB has been directed to achieve substantial reductions in SLCPs

SB 1383 (or the Super Pollutant legislation) codified ARB’s emission target for SLCPs and ordered its enforcement by 2018. SB 1383 directs ARB to implement a “comprehensive strategy to reduce emissions of short-lived climate pollutants to achieve a reduction in [...] SLCP] gases by 40 percent [...] below 2013 levels by 2030.” The law requires ARB to have a plan for all measures needed to meet this objective for SLCPs.

This 40% reduction goal is very ambitious. We submit this goal can meet only by using all available tools. Even with implementation of the Kigali amendment to the Montreal Protocol and EPA’s recent SNAP rules, those reductions will not be enough. Moreover, implementation of all those requirements in the United States is aspirational and not assured. Certain industry sectors covered by SNAP have already petitioned EPA to provide more time, and several witnesses at the March 23 Board meeting expressed concern with EPA’s likely course. EPA’s future course under the new Administration is unknown. California’s action here is significant.

2. ARB should prioritize the adoption of SLCP offset methodologies

We respectfully submit that ARB should prioritize the adoption of SLCP offset methodologies¹.

¹ “SLCP Offset Methodologies”, allow for offset credits to be earned by early compliance as well as going beyond compliance (reductions beyond those required). These methodologies include: Reclaimed HFC Refrigerants and Advanced Refrigeration Systems [HFCs]; Transition to Advanced Formulation Blowing Agents in Foam Manufacturing and Use [HFCs]; Truck Stop Electrification [carbon black]; and organic waste digestion [methane]. Each has been adopted by at least one of the ARB-recognized offset registries, has undergone public review and peer review and can be implemented in urban areas.

There are existing and proven voluntary SLCP methodologies that can be adopted by ARB. For example:

- Reclaimed HFC Refrigerants and Advanced Refrigeration Systems [HFCs]
- Transition to Advanced Formulation Blowing Agents in Foam Manufacturing and Use [HFCs]
- Truck Stop Electrification [carbon black]
- Organic waste digestion [methane]

Projects using these methodologies can reduce emissions at manufacturing and transportation locations in urban and low-income areas and assist ARB with achieving its ambitious SLCP targets.²

Offset methodologies provide incentives for applicable technologies to be developed and used sooner or in greater intensity than BAU. For example, ARB has made it clear that advanced refrigerant technologies are needed to significantly reduce HFCs.³ While the SLCP policy calculates economic benefits of using such, four different witnesses at the Riverside hearing pointed out they would need significant financial support to implement such. Clearly, using offset income, a form of carbon finance, could also provide such support and without diverting scarce ARB financial resources.

The same holds for foam blowing agents. Some eligible low-GWP products may not be financially feasible without extra income from carbon offsets and many potential users are waiting for ARB to signal if it will consider that methodology.

Clearly, offsets provide a significant financial incentive that should be included.

3. SLCP Offset Methodologies provide economic benefit to the State and communities

There are at least three other aspects which inclusion of SLCP offset methodologies provide. First, the incentive to adopt offset technologies accrues to the businesses who make a change -- either to less polluting substances or to making changes sooner than required. As demonstrated in the comment noted at footnote 2, the emission reductions from the SLCP methodologies can occur in urban communities.

Incentives to users of these offset methodologies encourage them to stay and invest in their existing resources, helping to keep jobs in their local communities. Moreover, these SLCP methodologies can be used across the US, thus encouraging existing manufacturing to continue. SLCP reductions are in and of the communities in which the offset projects exist and provide environmental and economic benefits locally, as well as globally.

² See "Comments on California Air Resources Board's Cap and Trade Regulation Amendments Workshop" with respect to Compliance Offset Methodology, Short-Lived Climate Pollutant Strategy" November 4, 2016 by Dentons US LLP, at pp. 4-8.

³ In the SLCP Reduction Strategy, ARB recognized that "Even with a strong international agreement to phase down the use of HFCs, additional opportunities remain to reduce their emissions in California in the near-term and through 2030 at a low cost".

Of course, offset projects can demonstrate that new technologies can be deployed and are hence “available.” These types of offset projects provide a basis for ARB, should it chose to do so, to adopt regulations requiring such conduct in the future. “Early action” leads to action by other companies, beyond the innovators, and then to regulations requiring all to do so. At the same time, California is not burdened with the fiscal need to experiment and justify new technologies.

One of the offset project types included in these methodologies concerns the use of 2-component spray foam. Building insulation is a major component of HFC emissions and will continue to be so. ARB has long been aware of the substantial “inventory” of HFCs in buildings in California⁴ and thus, a key objective for California is the development of “Net Zero” buildings. Including these SLCP offset methodologies will further limit HFCs in construction.

By promoting offsets, ARB will give the benefit of private investment motivated by offset pricing. Instead of having to provide grants and public dollars to develop new technologies, ARB can send a strong market signal. Offset projects with respect to identifiable end uses with high GWP gases will provide a record for adoption of such technologies by 2030⁵ and companies will be motivated to act sooner, rather than waiting until the last moment.

Conclusion

We urge ARB to continue to use its cap and trade approach, with use of offsets, as initially designed and implemented⁶. SLCP offset methodologies should be considered by ARB as a necessary component for meeting its 2030 targets. The Scoping Plan makes clear that only 80% of industrial GHG emissions are presently under the cap⁷. These Methodologies present the advantage to target emissions in disadvantaged areas with localized action resulting in immediate benefits within the community where the manufacturing occurs. The adoption of an offset mechanism for SLCPs will have a direct and localized positive outcome and allow ARB to use its resources on other needs.

By: Jeffrey C. Fort

Susan E. Wood

102280677

⁴ “Developing a California Inventory for Ozone Depleting Substances (ODS) and Hydrofluorocarbon (HFC) Foam Banks and Emissions from Foams,” Caleb Management Services Limited, March 14, 2011.

⁵ Offset methodologies typically have a 10-year crediting period. Thus, a methodology adopted in 2018 can provide ample time to demonstrate new technology applications. If an offset technology is successful, ARB could include it in new regulatory requirements prior to 2030, as needed to meet the HFC emission reduction requirement.

⁶ We therefore endorse and support the comments submitted by the Ad Hoc Offsets Group and by EOS Climate.

⁷ Scoping Plan at 94.