

January 20, 2017

Ms. Rajinder Sahota
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Comments on proposed amendments to the Cap and Trade Program

Thank you for providing the opportunity to comment on the proposed amendments to the cap and trade program. We appreciate the efforts of ARB staff in updating the program in response to public feedback and ARB's own experience in administering the program the past several years.

Our comments focus on market linkage and offsets.

Market Linkages

The Climate Trust applauds ARB's efforts to ensure the cap and trade program continues to facilitate linkages with other jurisdictions. Mitigating greenhouse gas emissions requires a multi-jurisdictional effort. A valuable cost-effective approach involves linking with other jurisdictions providing for a more efficient market that can drive the costs of compliance down. Therefore, the changes to the program that facilitate promotion of market linkages are a step in a right direction.

Offsets

The insertion of language in Section 95973 (b) allowing ARB discretion to determine whether a regulatory violation has occurred is worrisome. Such broad discretion has the potential to generate confusion and uncertainty as to what the grounds for an invalidation may be. This could chill participation in the offset market, as there is no clear guidance on ensuring a project might not be subject to an invalidation. The Climate Trust strongly recommends ARB strike the following proposed insertion: “...whether enforcement action has occurred is not the only consideration ARB may use in determining whether a project is out of regulatory compliance...”

The proposed modifications to constrict the invalidation of offsets to the period of the non-compliance is a sensible change that ensures the penalty is not inordinate to the violation. However, The Climate Trust is concerned that this is not supplied uniformly across all project types. Under Section 9598 (c)(B), forestry projects

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stand lose an entire reporting period's volume of offsets if a project is out of compliance. Forestry projects are no different from other projects and the period of non-compliance could be a matter of days. As such, its excess to invalidate the entire volume for such a small duration of non-compliance. The Climate Trust advises ARB to adopt a consistent standard that invalidates offsets that are commensurate with the duration of non-compliance.

If you have questions or require more information, please contact Sheldon Zakreski, Director of Carbon Compliance at szakreski@climatetrust.org.