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Ad Hoc Offsets Group-- Comments on the 1st 15-day Cap and Trade Amendment Package

Thank you for providing the opportunity to comment on the December 21, 2016 “Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms Regulation” (Amendment Package). The Amendment Package takes a significant step forward in continuing the current Cap and Trade Program post 2020, and through 2050.

These comments are submitted on behalf of the Ad Hoc Offsets Group (Offsets Group), made up of 13 businesses which are actively implementing projects to reduce greenhouse gas (GHG) emissions that go beyond business as usual. Members include A-Gas Group, Blue Source, Camco International Group, ClimeCo, Diversified Pure Chem, EOS Climate, Finite Carbon, New Forests, Origin Climate, Tradewater, The Climate Trust, Vessels Coal Gas, and Verdeo. Each Offset Group member is an active participant in the California Cap-and-Trade program and have collectively registered millions of tons of verified GHG reductions under ARB-approved protocols including: Forestry Management, Mine Methane Capture, Livestock Methane Capture and Destruction of Ozone Depleting Substances (ODS).

The Offset Group **supports the continuation of the Cap-and-Trade Program post-2020** and believes that this market-based mechanism is the most cost-effective and certain way for California to achieve its GHG emission reduction goals. Individual member letters will address the various technical aspects of the proposed amendments, but our unified message conveyed is that the existing program (with its current offset usage limit) is working and provides the necessary incentives to realize real and verifiable GHG emission reductions that would not otherwise be achieved under the Cap and Trade Program. We agree with the staff’s conclusion in the Amendment Package that no changes to the offset usage limit is warranted.

There is a myriad of reasons why offsets were included in the original design of the AB 32 program, and why they should be retained in the program, including:

- Additional GHG reductions that would not otherwise be realized
- Direct reductions in Short-Lived Climate Pollutants (SLCP)
- Incentives to improve water quality, habitat and working lands

- Creates jobs and economic activity in disadvantaged communities
- Creates jobs and economic activity in rural and tribal communities
- Reduction in overall program costs
- Mobilizes investments in clean technologies developed by California companies
- Mobilizes investments and innovations in sectors outside those covered under the GHG permitting program or direct command and control regulations
- Facilitates linkages with other jurisdiction's climate programs

ARB should be congratulated for meeting its Program goals with a 100% compliance rate, while also achieving the multiple co-benefits sought by AB 32, including clean technology advancements and reductions in other air pollutants, thanks to a constellation of the most rigorous pollution controls in the world. In addition to the Cap and Trade program success, California is meeting its aggressive goals on renewable energy, fuel economy, and Low Carbon Fuels, and is on pace to meet its overall GHG targets by 2020. Equally impressive is the 28% economy-wide reduction in carbon intensity since 2001 over which time the state's GDP grew by the same amount (28%).

There has been considerable comment and we believe in some cases, misunderstanding, on whether and how offsets impact disadvantaged communities. We believe however that the current offset program has already achieved tangible benefits to Californians and disadvantaged communities, for example:

- To date, 54 offset projects have been conducted in California (ARB lists only 24 but these do not include a number of projects involving recovery of CFC refrigerants from end-of-life equipment in California, with destruction outside the state.
- Approximately 30% of the total 54,552,984 offsets issued by the ARB, have been created within California's borders.
- These total reductions come from 46 projects that are providing economic benefit in 20 separate California disadvantaged communities and 26 disadvantaged communities outside of the state.

Summary

California's program advanced the policy idea that the broader non-regulated community could participate in helping the State achieve its ambitious GHG goals through the inclusion of offsets. This policy framework has been, and continues to be, successfully exported throughout North America. Any change in policy direction at this stage of implementation would be a significant setback to those who have committed to the program, including non-profit environmental groups, clean technology businesses, other jurisdictions potentially linking to California, and the millions of Californian voters, ratepayers, and taxpayers who are benefitting from not only cleaner air but a more vibrant, advanced economy. It also would send the wrong message to a world that is watching California's every move. The Offset Group stands ready and available to discuss these issues with staff, EJAC members, the Legislature or ARB Board members as needed. Thank you for your time and consideration.

Sincerely,

/s/

Ad Hoc Offsets Group Members