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April 10, 2017

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

**SUBJECT: CAPCOA Comments on the 2017 Climate Change Scoping
Plan Update**

Dear Chairperson Nichols:

The proposed 2017 Climate Change Scoping Plan Update (Plan) presents a comprehensive approach for achieving the aggressive 2030 greenhouse gas (GHG) reduction targets established in SB 32. Climate change is already causing significant and widespread environmental, economic and societal impacts worldwide and specifically in California. Achieving these targets is essential to help prevent the worst impacts and demonstrate to the nation and world that effective climate protection action is technically feasible, sustainable and economically beneficial. The California Air Pollution Control Officers Association (CAPCOA) commends the California Air Resources Board (CARB) for their continued leadership and vision in addressing this vital issue by substantially building upon the many successful State climate regulations, programs and policies already underway through implementation of the initial Scoping Plan adopted in 2008. The following comments, suggestions and recommendations are intended to support and enhance the goals of the Plan and its implementation.

Air District Partnership in Climate Protection

CAPCOA as an organization, and the air districts individually, have dedicated significant resources and expertise in partnering with CARB in implementing the many measures in the 2008 Plan that affect the sources we regulate and the local governments we interact with daily. We hope to enhance that partnership as the 2017 Plan moves forward to help ensure efficient and effective implementation and enforcement of the proposed measures. Utilizing the existing air district program infrastructure and staff resources for implementation of the stationary source measures in particular is key to an effective implementation

process. The adopting resolution for the 2008 Scoping Plan (Attachment 1) specifically recognizes the importance of this connection, however, there is very little mention in the 2017 Update of the role air districts should and will play in implementing the Plan.

Air districts are already intimately involved in climate protection at every level: implementing CARB's Landfill Gas Rule and a host of other GHG reduction measures for stationary sources; assisting local governments in developing, implementing and tracking SB 375 Sustainable Communities Plans; developing GHG inventories and strategy toolkits to assist local governments in adopting Climate Action Plans; coordinating with CARB staff and affected industry in the design of an emissions reporting tool for meeting the Adaptive Management and AB 197 requirements; developing a CAPCOA registry for GHG credits verified under strict protocols for use in CEQA mitigation for new developments; providing public outreach programs and forums on the need for community and individual involvement in climate action; partnering with local, state and national organizations to develop and promote climate resilience and adaptation planning and programs; and numerous other actions to assist the State in achieving its climate protection initiatives.

These existing actions by air districts and the infrastructure and resource capacity underlying them are a substantive part of the overall statewide climate effort that should be specifically recognized and incorporated into the 2017 Plan in a meaningful way. Funding for district implementation efforts is a critical component for ensuring success and is also referenced in the 2008 Plan adopting resolution; thus, potential funding sources and mechanisms should be specifically identified in the 2017 Plan.

CAPCOA Recommendation: *Provide specific language in the 2017 Plan related to air district roles in implementation and the funding required to support the partnership.*

Integration of GHG and Criteria Pollutant Emission Reductions

Ensuring GHG reductions do not come at the expense of the criteria pollutant or air toxic reductions essential for ensuring protection of public health is also of vital importance to air districts. Despite decades of immense progress, ozone and fine particulate levels exceeding state and federal health standards continue to be some of the highest in the nation, with associated public health risks and impacts. While the Plan mentions the need to synchronize GHG reduction measures with criteria pollutant strategies to maximize local air quality co-benefits, there is little mention of how these strategies will mesh with the numerous State Implementation Plan commitments already in place and/or required in affected areas. This essential tie-in should be articulated in the Plan to help guide implementation priorities. GHG reductions need to be prioritized to achieve these co-benefits and to avoid criteria and toxic pollutant increases, especially in environmental justice areas. Commitment to co-benefit prioritization should be added to the Scoping Plan purpose discussion, with emphasis on prioritization in EJ areas and in serious or extreme nonattainment areas. Likewise, the direct public health benefits of implementing the GHG measures in the Plan are clearly important and deserve a more substantive discussion than is currently provided in the document.

CAPCOA Recommendation: *Identify achieving criteria and toxic emission reduction co-benefits as a high priority in implementing the 2017 Plan, and provide a discussion of how the 2017 Plan will mesh with existing and future SIP commitments.*

Cap and Trade, Adaptive Management and Implementation of AB 197

CAPCOA supports continued implementation of the Cap and Trade Program beyond 2020 as a critical program for achieving the 2030 reduction targets in a cost-effective manner; as the Plan shows, those targets are not achievable without this program. Meeting the Adaptive Management and related AB 197 emissions reporting requirements are important in identifying and communicating the effectiveness and potential impacts of the Cap and Trade program, and CAPCOA will continue to work with CARB on the overall input needs of the reporting tool. The tool will rely in part on utilizing district databases to help integrate GHG, criteria pollutant, and air toxic emissions into an interactive, publicly accessible interface. Close coordination between CARB and CAPCOA is essential to ensure data integrity and understandability when it's presented to stakeholders and the public, particularly in communicating the use and interpretation of the data provided by the tool. The information provided to the public must be clear and consistent when communicating the overall emission benefits of Cap and Trade programs and its relationship to health risk. Alignment of the reporting deadlines is critical, as delayed district requirements can result in immediate and significant financial hardship to air districts. For instance, if fiscal years are crossed on the initial reconciliation year, districts could experience lost interest and cash flow issues and associated difficulties in reporting and balancing revenue and expenditures. Regarding AB 197 specifically, additional analysis should also be included in the Plan to better substantiate the listed ratios between expected GHG reductions and ozone precursor/PM2.5/diesel PM reductions.

CAPCOA Recommendation: *Reaffirm the Cap & Trade program as an essential element of the 2017 Plan and commit to continued close coordination with CAPCOA in implementing Adaptive Management and AB 197 requirements.*

Regulation to achieve 20% reduction in GHG emissions from California Refineries by 2030

The proposed refinery regulation is expected to achieve a 20% GHG emission reduction from this sector by 2030. The Plan identifies local air districts as an important partner in developing and implementing this rule and the criteria and toxic pollutant reduction co-benefits that could result. The primary responsibility for air districts is public health protection focused on criteria and toxic air contaminants; thus, the importance of achieving those reductions should be emphasized, especially in EJ areas and/or nonattainment areas. It may be more effective for CARB to produce guidelines that each of the five districts with refineries can consider as they adopt rules for this sector. Not all air districts have the resources and/or support to adopt rules primarily for GHG reductions. Regarding cost-effectiveness, any CARB stationary source measures should prioritize those strategies that are the most cost effective, considering reductions in criteria, toxic, and GHG pollutants. Because air districts have existing and proposed rules under consideration, the costs of

additional regulations for GHGs needs to be considered, and priority needs to be given for rules that protect public health and reduce criteria and toxic emissions.

CAPCOA recommends the Plan language be strengthened to call out a definite and large role for affected air districts in helping develop and implement this rule or guidelines. This should include recognition that the Bay Area AQMD (BAAQMD) is already developing a similar rule and the South Coast AQMD is in the process of developing relevant major changes to their refinery regulations (e.g., fence line and community monitoring, modifications to flaring practices, phasing out hydrofluoric acid, etc.) for their governing boards consideration. This highlights the importance for all parties to define specific roles for each entity early in the rule development and adoption process. Currently there are inconsistencies in the Scoping Plan (Table V-1) regarding who is responsible for BARCT/all feasible measures rule adoption. In addition, the overall economic impacts need to be considered when developing and adopting the regulation.

***CAPCOA Recommendation:** Specifically define the air district role in developing and implementing the refinery guidelines or regulation and emphasize the importance of achieving criteria and toxic pollutant co-benefits, especially in EJ communities and nonattainment areas.*

Mobile Source and Sustainable Freight Strategies

Transportation and goods movement are the largest energy consuming sectors, so implementation of mobile source strategies is critical for achieving the established 2030 GHG reduction goals and meeting State Implementation Plan needs for criteria pollutant reductions. The 2017 Plan estimates that 67 MMTCO_{2e} of the 680 MMTCO_{2e} total GHG reductions (less than 10 percent) would be from Mobile Sources, Clean Fuels and Technology, and Freight. With limited air district jurisdiction over these sources, we urge CARB to propose further reductions in this sector, and to commit to achieving such reductions in timeframes necessary to also help local air districts meet necessary SIP-required criteria pollutant emission reductions. The Plan should also recognize and provide additional support to related voluntary air district programs, such as zero emission vehicle (ZEV) support. Many regions throughout the state have invested resources and developed ZEV readiness plans. The Scoping Plan should point to these efforts and incorporate recommendations in the plans to support infrastructure needs and further implement electric vehicle and fuel cell technologies. CAPCOA supports moving forward toward a goal of achieving 100 percent ZEV sales in the light-duty sector. Noteworthy is that declining battery prices, increased ZEV driving range, and a robust charging/refueling network will improve the sale of light-duty ZEVs.

In addition, the Plan should recognize and support local efforts to implement and expand commuter rail and regional active transportation plans, as well as incentive programs to accelerate vehicle retirement, clean vehicle rebates, heavy duty/transit/school bus incentives and pilot programs. Emission reductions from these local district programs are a critical supplement to achieving the statewide reduction goals, and their importance to that effort should be highlighted in the Plan. CARB should also incorporate emissions from ships

transiting along the California coast into the sustainable freight measures. Pilot projects off the coast of Central California have demonstrated significant GHG reductions and increased fuel efficiency can be realized by implementing voluntary vessel speed reduction.

***CAPCOA Recommendation:** Identify additional mobile source reductions possible and recognize the importance of voluntary and incentive programs by local air districts in contributing to the statewide GHG reduction goals.*

Local Government Measures, CEQA Mitigation and Implementation of SB 375 and SB 350

The 2017 Plan identifies GHG reduction efforts by local governments as essential to complement and support State-level actions to achieve the 2030 target goals, with a detailed list of applicable measures and strategies provided in Appendix B. The Plan further recommends local governments establish a community-wide goal to reach emission levels of no more than six metric tons CO₂e per capita by 2030 and no more than two metric tons CO₂e per capita by 2050. CAPCOA supports the concept of local government GHG reduction targets to help guide their climate protection efforts. The methodology used to set the targets, however, should be reevaluated. The per capita goals were calculated by dividing the entire statewide GHG inventory by the projected statewide population identified in the Plan. Many major sources of emissions included in the statewide GHG inventory, however, are typically not included in local climate action plans (e.g., large stationary sources, marine vessels, aircraft, interstate and highway VMT). Thus, achieving the targets set using this methodology may not result in sufficient GHG reductions by local jurisdictions to help the State reach its overall reduction goals.

It would be helpful for CARB to provide some “guiding principles” in the Plan for local governments to consider for achieving GHG reduction targets when developing their climate action plans. Examples of such principles could include: 1) robust and quantitative targets, 2) inclusion of mandatory measures over voluntary measures, and 3) examples of mandatory measures that support the Governor’s “5 Pillars” and other key state climate action goals. In addition, Energy and Climate Action Plans, Community Choice Aggregation, and local Green Business programs are important local actions that can help meet the related goals of SB 350. State agencies should work closely with local jurisdictions to support local efforts to increase renewable energy production and improve energy efficiency.

CAPCOA appreciates CARB’s work to identify a broad range of local projects that can be used to mitigate GHG emissions from proposed land use projects subject to CEQA. Key to that effort is the establishment of meaningful local GHG significance thresholds that reflect the new statewide reduction targets. Coordination and assistance by CARB to local air districts in performing required analyses to set those thresholds would be very helpful. Utilization of CAPCOA’s GHG Reduction Exchange (GHG Rx) for CEQA mitigation could also provide significant assistance in achieving local and state reduction goals, including the net zero new development goals referenced in the Plan. A leading principle for the GHG Rx is that GHG reduction credits must be real, additional/surplus, quantifiable, validated,

enforceable, and permanent. The GHG Rx provides a credible resource to ensure local mitigation meets these requirements; thus, its role should be discussed and supported in the Scoping Plan. CARB can further support these efforts by assisting air districts in developing the analyses needed for local direct investments to show how they meet these criteria, and by assisting in developing procedures to quantify the benefits of each type of investment.

Finally, transportation funding (state, federal, and STIP funding) should align with the climate goals defined in SB 32, with funding priorities focused on road maintenance rather than expansion, public transit, active transportation, and other programs to reduce VMT. Funding provided by the passage of SB 1 should be linked to this principle. For example, SB 32 prioritizes the concept of complete streets, but developing complete streets is not feasible without additional funding. Moving from a Level of Service (LOS) based prioritization to VMT-based prioritization as recommended in the 2017 Plan is a critical change to support these priorities. These and other strategies designed to reduce motor vehicle use through local land use decisions are critical if Metropolitan Planning Organizations are to meet the targets set by this Plan. CARB should identify a path to incorporate strategic land use strategies into the process for developing and implementing Sustainable Community Strategies (SCS) required by SB 375 around the state. SCS Plans should also require monitoring and verification to inform any changes in VMT-related emissions targets and ensure appropriate evolution of subsequent SCS Plans.

CAPCOA Recommendation: *Reevaluate the methods used to calculate the proposed per capita targets, identify some guiding principles for development and implementation of local government climate action plans, support the use of the CAPCOA GHG Rx for CEQA mitigation, provide guidance on how to incorporate strategic development principles into required SCS plans, and seek to align new transportation funding priorities with the 2017 Plan reduction goals.*

Natural and Working Lands Strategies

CAPCOA supports these measures and recognizes the potential for significant GHG benefits from soil carbon sequestration. As such, CAPCOA has evaluated and approved several GHG reduction protocols for various natural and working land strategies that can generate credits to be posted to our Climate Registry and used for CEQA mitigation, including protocols for sustainable rice cultivation, biochar and compost application on grazing lands, coastal wetlands creation and organic waste digestion. In addition, local districts have supported and facilitated research and development of pilot projects for carbon sequestration strategies on working lands, such as the Marin Carbon Project. CAPCOA believes enhancing our partnership with CARB in these efforts would further help advance the science and application of these strategies and help move them to commercial viability.

Organic waste digestion is poised for rapid expansion statewide with implementation of recent legislation. It is critical that CARB work with CalRecycle and local air districts on composting and organic waste management to ensure local air quality impacts from such operations are addressed. In addition, the existing requirements for offsets in permitting

these facilities represents a significant hurdle that must be addressed to ensure local composting facilities can be built and expanded and provide the essential resources needed for waste management and soil carbon sequestration efforts statewide.

CAPCOA Recommendation: *Identify in the Plan the need to partner with local air districts in supporting research and development for sequestration and GHG reduction strategies in natural and working lands, and add a discussion on the need to address local air district permitting challenges for organic waste digestion and composting.*

Black Carbon and the Short-Lived Climate Pollutant Strategy

The 2017 Plan identifies black carbon, methane and fluorinated gases as important climate forcing pollutants addressed in the Short-Lived Climate Pollutant Strategy (SLCP). Expected emission reductions from implementing the SLCP Strategy represent about one-third of the total cumulative reductions in CO₂e needed to meet the 2030 targets. Given the current stockpile of dead and dying trees in California's forests and open lands, CAPCOA recommends CARB expand on the black carbon discussion in the 2017 Plan and encourage more research into black carbon emissions from wildfires and how to reduce them. Such an effort would have the corresponding benefit of reducing criteria pollutant emissions from wildfires, which have impacted the health of millions of Californians on an annual basis. This includes research into developing better fire modeling and forest fuel reduction tools. Identifying and supporting mechanisms to increase the economic viability of biomass facilities is also an important strategy to explore, as open pile burning and forest fires emit 98% more PM 2.5/black carbon than burning in biomass facilities. One example would be showing support in the Plan for energy procurement requirements under the CPUC's Renewable Portfolio Standard program for small scale advanced technology projects, as mentioned in the Natural and Working Lands strategies section.

With emerging technologies, further black carbon reductions can be realized. Thus, the Plan should outline research needs to develop comprehensive emissions factors for black carbon, and to enhance advanced fire modeling and reduction tools. Reductions in this sector could provide many environmental benefits and protect statewide community impacts from wildfires. The use of waste wood as a biofuel should be encouraged. There is more waste wood produced in California than could be possibly composted on an annual basis, even without inclusion of 100 million dead trees. A comprehensive plan should be developed to identify current and new technologies for utilizing biomass and other organic waste products to reduce black carbon emissions and contribute to the renewable energy portfolio.

CAPCOA Recommendation: *Identify research needs in the Plan for broader incorporation of biomass in the statewide RPS and develop a Biomass and Waste Utilization Plan.*

Summary

The 2017 Scoping Plan Update is a comprehensive plan designed to set California on a path toward accomplishing aggressive, yet feasible, reductions in climate changing GHG emissions while fostering the creation and growth of new green industries and jobs throughout the state. CAPCOA commends CARB for its vision and leadership in addressing this critical issue in a substantive manner that will encourage and facilitate similar efforts by other states and nations. We appreciate the opportunity to coordinate with your staff during the development of this Plan and to provide hopefully helpful suggestions on potential enhancements to aid in effective implementation of the Plan. CAPCOA stands ready to assist in that implementation and partner with CARB wherever possible to ensure its success.

Sincerely,

A handwritten signature in blue ink that reads "W. James Wagoner". The signature is fluid and cursive, with the first name "W. James" and the last name "Wagoner" clearly visible.

W. James Wagoner
President

Cc: Richard Corey, CARB
Edie Chang, CARB

Attachments:

1. Adopting resolution for the 2008 Scoping Plan
2. CAPCOA letter to CARB Chair Sawyer on core principles for statewide climate programs

State of California
Air Resources Board

Climate Change Scoping Plan

Resolution 08-47

December 11, 2008

Agenda Item No.: 08-10-2

WHEREAS, the Legislature has enacted the Global Warming Solutions Act of 2006 (AB 32; Health and Safety Code section 38500 et seq.), which declares that global warming poses a serious threat to the environment of California and creates a comprehensive multi-year program to reduce greenhouse gas (GHG) emissions that cause global warming;

WHEREAS, the adverse impacts of climate change include more droughts, more frequent and extreme heat waves, erratic storm and flood events, decreases in winter snowpack, a rise in sea level, increases in water temperatures, an increase in coastal erosion, intrusion of sea water, an increase in the duration of wildfire season, and increased occurrences of unhealthy ozone levels;

WHEREAS, climate change mitigation and adaptation measures can be complementary and are often intricately linked;

WHEREAS, AB 32 designates the Air Resources Board (ARB or the Board) as the State agency charged with monitoring and regulating sources of GHG emissions in California in order to reduce these emissions;

WHEREAS, section 38561(a) of the Health and Safety Code directs the Board, on or before January 1, 2009, to prepare and approve a Scoping Plan for achieving the maximum technologically feasible and cost-effective reductions in GHG emissions by 2020;

WHEREAS, section 38561(a) of the Health and Safety Code also requires ARB to consult with all State agencies having jurisdiction over sources of GHGs on all elements of the Scoping Plan that pertain to energy-related matters, to ensure reduction activities adopted and implemented by ARB are complementary, non-duplicative and can be implemented in an efficient and cost-effective manner;

WHEREAS, section 38561(b) of the Health and Safety Code requires the Scoping Plan to identify and make recommendations on direct emission reduction measures, alternative compliance mechanisms, market-based compliance mechanisms, and potential monetary and nonmonetary incentives for sources and categories of sources that the Board finds necessary or desirable to facilitate the achievement of the maximum feasible and cost-effective reductions of GHG emissions by 2020;

WHEREAS, section 38561(c) of the Health and Safety Code requires ARB to consider all relevant information pertaining to greenhouse gas emissions reduction programs in other states, localities; and nations, including the northeastern states of the United States, Canada and the European Union in making the determinations required in Health and Safety Code section 38561(b);

WHEREAS, section 38561(d) of the Health and Safety Code requires ARB to evaluate the total potential costs and total potential economic and noneconomic benefits of the Scoping Plan to California's economy, environment, and public health, using the best available economic models, emissions estimation techniques, and other scientific methods;

WHEREAS, section 38561(e) of Health and Safety Code requires ARB, in developing its plan, to take into account the relative contribution of each source or source category to statewide GHG emissions; and the potential for adverse effects on small businesses, and to recommend a de minimis threshold of GHG emissions below which emission reduction requirements will not apply;

WHEREAS, section 38561(f) of the Health and Safety Code requires ARB, in developing its plan, to identify opportunities for emission reductions measures from all verifiable and enforceable voluntary actions, including, but not limited to, carbon sequestration projects and best management practices;

WHEREAS, section 38561(g) of the Health and Safety Code requires ARB to conduct a series of public workshops to give interested parties an opportunity to comment on the Scoping Plan, and that a portion of these workshops should take place in regions that have the most significant exposure to air pollution, including, but not limited to communities with minority populations, communities with low-income populations; or both;

WHEREAS, section 38652(b) of the Health and Safety Code requires ARB, in adopting greenhouse gas regulations; to the extent feasible and in furtherance of achieving the statewide greenhouse gas emissions limit, to design the regulations in a manner that is equitable and seeks to minimize costs and maximize the total benefits to California; ensure that activities taken to comply with the regulations do not disproportionately impact low-income communities; ensure that activities undertaken pursuant to the regulations complement efforts to achieve and maintain ambient air quality standards and to reduce toxic air contaminant emissions; consider the cost-effectiveness of the regulations; consider overall societal benefits; minimize administrative burden; and minimize leakage;

WHEREAS, section 38565 of the Health and Safety Code requires ARB to ensure that greenhouse gas emission reduction rules, regulations, programs, mechanisms and incentives under ARB's jurisdiction, where applicable and to the extent feasible, direct public and private investment toward the most disadvantaged communities in California;

WHEREAS, sections 39600 and 39601 of the Health and Safety Code authorize the ARB to adopt standards, rules and regulations and to do such acts as may be necessary for the proper execution of the powers and duties granted to and imposed upon the ARB by law;

WHEREAS, ARB has adopted and is implementing numerous programs to reduce criteria pollutants, diesel particulate, and air toxics emissions, including the 2007 State Implementation Plan, the Goods Movement Emissions Reduction Plan, and the Diesel Risk Reduction Plan;

WHEREAS, local air pollution control and air quality management districts are currently responsible for implementing many programs that regulate air pollution from stationary and area sources;

WHEREAS, the Board acknowledges the importance of ensuring adequate and reliable energy supplies while the State implements AB 32;

WHEREAS, in preparing the Proposed Scoping Plan, ARB staff considered advice and input from the Environmental Justice Advisory Committee and the Economic and Technology Advancement Advisory Committee;

WHEREAS, in June 2008 ARB staff prepared and circulated for public review a *Draft Climate Change Scoping Plan* (Draft Plan); staff then held three public workshops to discuss the Draft Plan, considered public comments received on the Draft Plan, and modified the Draft Plan in response to these comments;

WHEREAS, in October 2008 ARB staff prepared and circulated for public review a *Proposed Climate Change Scoping Plan*, in accordance with the requirements set forth in Health and Safety Code section 38561;

WHEREAS, the California Environmental Quality Act (CEQA) requires that no project which may have significant adverse environmental impacts may be adopted as originally proposed if feasible alternatives or mitigation measures are available to reduce or eliminate such impacts, unless specific overriding considerations are identified which outweigh the potential adverse consequences of any unmitigated impacts;

WHEREAS, CEQA allows public agencies to prepare a plan or other written documentation in lieu of an environmental impact report (i.e., a functional equivalent environmental document), once the Secretary of the Resources Agency has certified an agency's regulatory program pursuant to section 21080.5 of the Public Resources Code;

WHEREAS, pursuant to section 21080.5 of the Public Resources Code, the Secretary of the Resources Agency has certified that portion of ARB's regulatory program that

involves the adoption, approval, amendment, or repeal of standards, rules, regulations, or plans;

WHEREAS, Board regulations under ARB's certified regulatory program provide that prior to taking final action on any proposal for which significant environmental issues have been raised, the decision maker shall approve a written response to each such issue;

WHEREAS, on October 15, 2008, ARB staff prepared and circulated for public review, in accordance with CEQA and Board regulations, a functional equivalent environmental document which is set forth in Appendix J to the *Proposed Climate Change Scoping Plan*;

WHEREAS in consideration of the *Proposed Climate Change Scoping Plan*, the written and oral testimony presented by the public, industry and government agencies, and the environmental documentation prepared by Board staff, the Board finds that:

1. ARB staff has consulted with all State agencies, including the Public Utilities Commission (PUC) and the State Energy Resources Conservation and Development Commission (CEC), having jurisdiction over sources of greenhouse gases on all elements of the Plan that pertain to energy-related matters, as required by Health and Safety Code section 38561(a);
2. ARB has carefully considered the joint opinion adopted by the PUC and CEC on October 17, 2008, which recommends strategies to help reduce greenhouse gas emissions from the electricity and natural gas sectors;
3. The recommendations in the *Proposed Scoping Plan* are necessary or desirable to facilitate the achievement of the maximum feasible and cost-effective reductions of greenhouse gas emissions by 2020;
4. ARB has considered all relevant information pertaining to greenhouse gas emissions reduction programs in other states, localities, and nations, including the northeastern states of the United States, Canada and the European Union, as provided in Health and Safety Code section 38561(c);
5. ARB staff prepared an analysis to evaluate the total potential costs and total potential economic and noneconomic benefits of the *Proposed Climate Change Scoping Plan* to California's economy, environment, and public health; this analysis was prepared using the best available economic models, emissions estimation techniques, and other scientific methods, as required by Health and Safety Code section 38561(d);
6. In developing the *Proposed Climate Change Scoping Plan*, ARB took into account the relative contribution of each source or source category to

statewide GHG emissions, and the potential for adverse effects on small businesses, as provided in Health and Safety Code section 38561(e);

7. The *Proposed Climate Change Scoping Plan* recommends a de minimis threshold of GHG emissions below which emission reduction requirements will not apply, as provided in Health and Safety Code section 38561(e);
8. The *Proposed Climate Change Scoping Plan* identifies opportunities for emission reductions measures from all verifiable and enforceable voluntary actions, as provided in Health and Safety Code section 38561(f);
9. In accordance with Health and Safety Code section 38561(g), ARB staff organized over 250 public workshops, workgroup events and formal meetings throughout the State, and participated in over 350 meetings and conferences involving external stakeholders, including workshops in regions of the state that have the most significant exposure to air pollutants;
10. The *Proposed Climate Change Scoping Plan* meets all of the requirements of AB 32.

WHEREAS, pursuant to the requirements of the California Environmental Quality Act and the Board's regulations under its certified regulatory program, the Board further finds that:

11. ARB staff prepared a functional equivalent environmental document for the *Proposed Climate Change Scoping Plan* which indicates that there may be potential adverse environmental impacts from the measures included in the Plan; however, these impacts are speculative and cannot be quantified or further described until the details of the measures are developed and set forth in actual proposed regulations;
12. The Board has considered alternatives to the measures identified in the *Proposed Climate Change Scoping Plan* and has identified no feasible alternatives at this time which would reduce or eliminate any potential adverse environmental impacts, while at the same time ensuring that necessary reductions in greenhouse gas emissions will be achieved;
13. At this time there are no feasible mitigation measures that ARB can impose to lessen the potential adverse impacts of the *Proposed Climate Change Scoping Plan* on the environment, and no less stringent alternatives that will accomplish the goals imposed by AB 32 with fewer potential environmental impacts;
14. None of modifications to the *Proposed Climate Change Scoping Plan* alter any of the conclusions reached in the functional equivalent environmental

document, or would require recirculation of the document as provided in CEQA Guidelines section 15088.5;

15. The potential adverse environmental impacts of the measures included in the *Proposed Climate Change Scoping Plan* are outweighed by the substantial reduction in greenhouse gas emissions and public health benefits that will result from their adoption and implementation;
16. The considerations identified above override any adverse environmental impacts that may occur from adoption and implementation of the *Proposed Climate Change Scoping Plan*;
17. As regulations implementing the *Proposed Climate Change Scoping Plan* are developed, detailed environmental impact analyses, including a discussion of regulatory alternatives and mitigation measures, will be performed as part of the rulemaking process;
18. As regulations implementing the *Proposed Climate Change Scoping Plan* are developed, specific economic impact analyses will be performed in conjunction with the rulemaking process and will be considered by the Board in acting on those regulations;
19. In accordance with Public Resources Code 21081(a)(2), for Scoping Plan measures that are within the responsibility and jurisdiction of another public agency, that agency shall be responsible for completing the appropriate environmental review and, with respect to each significant effect identified in the environmental review, shall be responsible for adopting feasible changes or alterations to the measures to mitigate or avoid, as appropriate, the significant environmental effects that have been identified. An initial list of agencies responsible for Plan measures is included in Appendix C of the Plan.
20. ARB regulations which have been adopted and are included in the measures recommended in the *Proposed Climate Change Scoping Plan* were subjected to environmental review by the Board at the time of their adoption and no further analysis is required at this time; and
21. The Executive Officer is the decision maker for the purposes of responding to environmental issues raised on the *Proposed Climate Change Scoping Plan*, and by approving this Resolution 08-47 the Board is not prejudging any of the responses that will be made by the Executive Officer to these environmental issues.

NOW, THEREFORE, BE IT RESOLVED, that subject to the Executive Officer's approval of written responses to environmental issues that have been raised, the Board is initiating steps toward the final approval of the *Proposed Climate Change Scoping*

Plan and its Appendices, as set forth in Attachments A and B hereto, with the modifications identified at the December 11, 2008 public hearing.

BE IT FURTHER RESOLVED that the Executive Officer is the decision maker for the purposes of title 17, California Code of Regulations, section 60007; the Board directs the Executive Officer to prepare and approve written responses to all significant environmental issues that have been raised, and then to either: (1) return the *Proposed Climate Change Scoping Plan* to the Board for further consideration if it is determined that such action is warranted, or (2) take final action to approve the *Proposed Climate Change Scoping Plan* with the modifications identified at the December 11, 2008 public hearing, any conforming modifications that may be appropriate, and any modifications that are necessary to ensure that all feasible measures or feasible alternatives that would substantially reduce any significant adverse environmental impacts have been incorporated into the final action.

BE IT FURTHER RESOLVED that once final action has been taken by the Executive Officer to approve the *Climate Change Scoping Plan*, as agreed to and modified by the Board, the Board directs the Executive Officer to make the modified Plan available to the public.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to perform the environmental analyses required by CEQA in conjunction with future rulemaking actions to implement the *Climate Change Scoping Plan*, and to ensure that the potential environmental impacts identified in the Plan, and any other impacts are subsequently identified, are avoided or mitigated to the extent feasible.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to ensure that the requirements of Health and Safety Code section 38562(b) are met for all proposed regulations to implement the *Climate Change Scoping Plan*; and that the requirements of Health and Safety Code section 38570(b) are met for all proposed regulations to implement market-based compliance mechanisms.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to design greenhouse gas regulations that affect stationary sources so that they utilize, to the extent practicable and appropriate, local air district permitting programs and compliance determination mechanisms.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to provide funding to the local air districts using State funding mechanisms to reimburse districts for involvement in specific, identified activities related to implementation and enforcement of greenhouse gas emission reduction measures.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to develop a joint workplan with the local air districts to define how to efficiently and effectively implement and administer the Scoping Plan.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to develop a program to provide GHG emissions verifier training without cost to District staff who meet required education and experience qualifications.

BE IT FURTHER RESOLVED that the Board recognizes that emission sources subject to ARB's mandatory reporting regulation must report directly to the State and directs the Executive Officer to develop a software tool that will allow the export of data to the districts.

BE IT FURTHER RESOLVED that the Board recognizes that consistent implementation and enforcement of greenhouse gas emission reduction programs is crucial to minimize administrative burdens and that the future cap-and-trade program, including reporting and verification of offsets, should be administered at the state level.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to establish a working group of public health agencies and organizations, including, but not limited to, the Department of Public Health, the Office of Environmental Health Hazard Assessment, and local public health agencies, to review and provide input to the staff on proposed greenhouse gas reduction measures.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to develop a methodology using available information to assess the potential cumulative air pollution impacts of proposed regulations to implement the Scoping Plan.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to identify communities already adversely impacted by air pollution as specified in Health and Safety Code section 38570 (b)(1) before the adoption of a cap-and-trade program.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to design the implementation of AB 32, including the cap-and-trade system, to complement California's criteria and toxic air contaminant programs and be consistent with ARB's environmental justice policies, in furtherance of achieving the statewide greenhouse gas emissions limit.

BE IT FURTHER RESOLVED that the Board recognizes that through the SB 375 (Stats. 2008, Chapter 728) process, local governments and transportation agencies are key partners in ARB's efforts to reduce greenhouse gas emissions, that improved land use and transportation planning is needed to provide Californians with affordable, high quality options for housing and mobility that will result in reduced greenhouse gas emissions, and that the greenhouse gas reductions associated with more sustainable growth will increase over time.

BE IT FURTHER RESOLVED that the Board recognizes that the technical work of the SB 375 Regional Targets Advisory Committee (RTAC) is critical to building a solid foundation for Board consideration of regional targets.

BE IT FURTHER RESOLVED that as input to the SB 375 target setting process, the RTAC should recommend a method to evaluate the full potential for reducing greenhouse gas emissions in each major region of the state, and statewide, using improved land use patterns, indirect source rules, enhanced bike, walk, and transit infrastructure, and pricing policies where applicable (including congestion, toll, and parking pricing). This evaluation should be done for 2020 and 2035, employ the best available data and models, and identify barriers to achieving this full potential.

BE IT FURTHER RESOLVED that it is the Board's intent that the greenhouse gas emission reductions associated with the SB 375 regional targets represent the most ambitious achievable targets. The estimated reductions in the Scoping Plan will be adjusted to reflect the outcome of the Board's decision on SB 375 targets.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to solicit input from experts to advise ARB on its continuing evaluation of the economic effects of implementing AB 32, including identification of additional models or other economic analysis tools that could be used in the ongoing economic analysis. This will include opportunities for interested parties to share their economic modeling results.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to consider the effects of the program on the overall California economy as staff develops the cap-and-trade regulations and to take into account the joint opinion adopted by the PUC and the CEC on October 17, 2008, while recognizing that the joint opinion was developed based on consideration of the electricity and natural gas sectors, and that the recommendations in the opinion may need to be adapted to meet the needs of the California economy as a whole.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to solicit expert input on key questions related to the distribution or auction of allowances and the use of revenue.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer, as part of the cap-and-trade rulemaking, to consider the economic implications of different cap-and-trade program design options, including:

- various scenarios for allowance distribution (percent auction vs. free distribution, method of distribution);
- various scenarios for the use of auction revenue;
- the initial cap level and the rate of decline of the cap over time;
- the potential supply of offsets within and outside California; and

- the economic and co-benefit effects of limits on the use of offsets.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to coordinate the economic analysis of California's AB 32 program with the analysis conducted for the Western Climate Initiative.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to work with California small businesses during the development of Scoping Plan regulations, to consider the size of the business and type of industry in developing the regulations, and to identify financing programs that could help alleviate costs to small businesses.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to work with the CEC, the PUC and other agencies, as appropriate, to ensure that California's energy demands are met, and that the Scoping Plan and AB 32 are implemented in a manner to avoid disproportionate geographic impacts on energy rates.

BE IT FURTHER RESOLVED that the Board is committed to a cap-and-trade program as an important component of California's comprehensive program to achieve greenhouse gas reductions.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to consider the economic and public health impacts of proposed regulations to implement the Scoping Plan, as well as the requirements of section 38562(b) and 38570(b), as appropriate. For sector-specific regulations affecting sources that are also included in the cap-and-trade program, the staff shall also propose findings to identify the reasons that the emission reductions are best achieved using the proposed regulatory approach.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer, by December 31, 2009, to examine and report on:

- estimates of overall costs and savings and the cost-effectiveness of the reductions, including appropriate inclusion of reductions in co-pollutants;
- estimates of the timing of capital investments, annual expenditures to repay those investments, and the resulting cost savings;
- sensitivity of the results to changes in key inputs, including energy price forecasts and estimates of measure costs and savings; and
- impacts on small businesses.

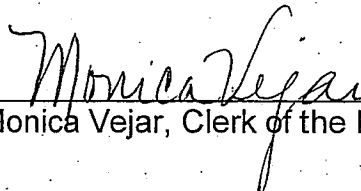
BE IT FURTHER RESOLVED that the Board directs the Executive Officer to update the Board on the public health impacts of climate change as well as the impacts of potential measures that may be taken to mitigate climate change.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to report on the status of the Early Action Measures.

BE IT FURTHER RESOLVED that the Board, in coordination with California Environmental Protection Agency and other state agencies, will take responsibility for the tracking of Scoping Plan implementation and the development of accounting systems to promote consistency and avoid double counting of emission reductions, especially across sectors, to ensure achievement of the AB 32 goals.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to report on the status of Scoping Plan implementation to the Board twice a year.

I hereby certify that the above is a true and correct copy of Resolution 08-47, as adopted by the Air Resources Board.



Monica Vejar, Clerk of the Board

Resolution 08-47

December 11, 2008

Identification of Attachments to Board Resolution 08-47

Attachment A: *Proposed Climate Change Scoping Plan*, released to the public in October 2008.

Attachment B: Appendices A – J to the *Proposed Climate Change Scoping Plan*, released to the public in October 2008.



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April 25, 2007

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Dr. Robert F. Sawyer, Chairman
California Air Resources Board
1001 "I" Street
P.O. Box 2815
Sacramento, CA 95812

**Subject: CAPCOA Recommendations on Principles to Guide the
Implementation of AB 32**

Dear Dr. Sawyer:

The California Air Pollution Control Officers Association believes that greenhouse gas (GHG) emissions contributing to global climate change constitute a significant air pollution problem. In addition to the potentially catastrophic threat that climate change poses in the long term, nearer term effects may exacerbate the already difficult problems faced by many regions of California in reducing public exposure to smog and other harmful pollutants.

CAPCOA believes California has taken an important step forward in beginning to implement Assembly Bill 32 (Nunez) to inventory and reduce emissions of GHGs. Meeting the goals of this important legislation will require the concerted efforts of state and local agencies as well as stakeholders in the public, private, and non-profit sectors. CAPCOA is committed to supporting the Air Resources Board in your leadership role and working with you and other stakeholders on effective, efficient implementation of AB 32.

CAPCOA also believes there is an important role for local air districts to play in a comprehensive, statewide effort to address GHG emissions. Indeed, a number of local districts have already taken important steps to assess local inventories and support local actions aimed at reducing GHG emissions, including local carbon sequestration projects. Local districts have the knowledge, experience and existing infrastructure to contribute to development of emission inventories, market-based programs, enforcement, policy development, rulemaking and public involvement.

Given the importance of this issue at every level, CAPCOA agrees that principles to guide the implementation of AB 32 are important to ensure that GHG reductions occur in the most efficient and cost-effective manner possible. We have not had the opportunity to review your staff recommendations on this matter; however, CAPCOA has identified the following brief list of core principles we believe should guide efforts in California to address GHG emissions and climate change issues:

1. Implementing AB 32 in an efficient, effective and expeditious manner is vital to accomplishing California's GHG reduction goals. Existing technical expertise and regulatory implementation systems should be utilized to the greatest extent feasible.
2. Climate protection activities should not come at the expense of programs to reduce criteria and toxic emissions, but rather should reinforce such programs to the greatest extent possible.
3. All participants, including agencies, regulated entities, and any other parties with specified obligations or commitments, must be accountable for their obligations and commitments within the program.
4. Program goals must be clearly stated and progress must be measurable within reasonable time frames.
5. Processes for establishing program goals and requirements must be open, transparent, and accessible to all interested and affected stakeholders.
6. All GHG emission reductions claimed under the program must be real, permanent, quantifiable, verifiable, and enforceable.
7. Permit requirements for stationary source equipment/process changes and controls to reduce GHG emissions should be accomplished under the framework of existing permit systems and not require the establishment of a duplicative or parallel permit system operated by the state.
8. Any streamlining of local permitting programs for GHG related projects should not relieve the source of complying with existing requirements under New Source Review, Prevention of Significant Deterioration, or other requirements under the State Implementation Plan for criteria pollutants.

We have previously shared these recommended principles with your staff and appreciate the opportunity to share them with your Board. CAPCOA stands ready to assist and support ARB in this vital effort.

Sincerely,



Larry R. Allen
President

cc: Catherine Witherspoon, Executive Officer