



January 20, 2017

Ms. Rajinder Sahota
Chief, Climate Change Program Evaluation Branch, Industrial Strategies Division
California Air Resources Board
1001 I Street, Sacramento, California 95814

Thank you very much for the opportunity to comment on the proposed regulatory amendments to the Cap-and-Trade Program. Bluesource greatly appreciates the Air Resources Board staff's drive to make continuous improvements to this landmark program and is supportive of staff's recommendation to extend it beyond 2020 in today's release of the draft Scoping Plan. This letter highlights the benefits of the Cap and Trade and offset programs and also contains comments of a technical nature.

Benefits of Cap and Trade and Offsets

California's climate policies have done great things for the State and also for the rest of the country and world at a time when sub-national climate leadership may be more important than ever. As an example, a recent study of the economic impacts of California's climate programs on the San Joaquin Valley completed by UC Berkeley found that Cap and Trade has had the positive impacts of 1,612 jobs and \$202 million in total economic activity. Additionally, the study found that total employment, personal income and household incomes also rose over the first three years of Cap and Trade implementation¹.

Looking at accomplishments within the offsets program in particular:

- More than 16,000,000 tons of CO₂-equivalent, or approximately 30% of all offsets issued to date have been reduced inside California from sectors *beyond* the cap.
- 54 offset projects are reducing emissions in California.
- 46 projects are serving disadvantaged communities, 20 of which are serving disadvantaged communities within the State.

Despite these clear benefits of Cap and Trade and of offsets, there are some that oppose both systems and make claims that harm is actually being done to local communities. We in no way want to minimize the very real challenges that disadvantaged communities face with respect to local air pollution, but we think it's important to base policy decisions on facts rather than conjecture or preliminary analysis. One of the reports that has frequently been cited by opponents to Cap and Trade and offsets is a preliminary study that specifically states that, "Further research is needed before firm policy conclusions can be

¹ "The Economic Impacts of California's Major Climate Programs on the San Joaquin Valley;" *University of California – UC Berkeley Center for Labor Research and Education – Donald Vial Center on Employment in the Green Economy, University of California – UC Berkeley School of Law – Center for Law, Energy and the Environment, Next 10*; Betony Jones, Kevin Duncan, Ethan N. Elkind, Marilee Hanson; <https://www.law.berkeley.edu/wp-content/uploads/2017/01/econ-impacts-climate-programs-san-joaquin-valley.pdf>; pg. 8.



drawn from this preliminary analysis.”² Those that are using this report to try to influence policy decisions are therefore going directly against the advisement of the report’s own authors. Furthermore, this study goes on to say that, “As regulated industries adapt to future reductions in the emissions cap, California is likely to see more reductions in localized GHG and co-pollutant emissions,”³ the very achievement opponents of Cap and Trade seem to want.

Bluesource supports the continuation of Cap and Trade and offsets and cautions against sweeping claims that offsets harm communities, when the facts clearly show a plethora of community benefits, including:

- Improved air quality
- Improved water quality
- Reduction of odors
- Renewable energy creation
- Job creation
- Fire risk reduction
- Habitat preservation
- Responsible waste disposal

Technical Comments on Proposed Regulatory Changes

Support for the Proposed Change in §95977(c)

Bluesource supports the proposed change to allow Sequestration Offset Projects demonstrating onsite carbon stock growth of **10%** to extend the time between full verifications. This change will lower costs of program participation while still ensuring environmental integrity.

Support for the Proposed Change in §95985(h)(3)

Bluesource supports the change from an arbitrary 50% to a proportional and accurate amount of buffer account credits required to be replaced in the case of an invalidation. This approach ensures the integrity of the buffer pool, the primary goal.

Request for Parody between Offset Project Types in §95973(b) (1) and (2)

Bluesource supports ARB’s proposed change to limit the period for which a livestock, MMC or ODS project would be ineligible to receive offset credits for being out of regulatory compliance to the precise

² “A Preliminary Environmental Equity Assessment of California’s Cap-and-Trade Program;” *University of California Berkeley – Department of Environmental Science, Policy, and Management, School of Public Health, School of Engineering, University of Southern California – Program for Environmental and Regional Equity, San Francisco State University – Department of Health Education, Occidental College, Department of Geology*; Lara J. Cushing, Madeline Wander, Rachel Morello-Frosch, Manuel Pastor, Allen Zhu, James Sadd; <http://dornsife.usc.edu/PERE/enviro-equity-CA-cap-trade>; pg. 10.

³ *ibid.*



time period during which the project was actually out of compliance, as opposed to the entire Reporting Period. This will motivate projects to return to compliance as quickly as possible. The proposed change has been reflected in section 95973(b)(1); however, 95973(b)(2) excludes forestry, urban forestry and rice cultivation projects from this important regulatory update. Excluding these project types is inconsistent with the other regulatory changes that have prioritized parity between offset types, so as not to unfairly advantage one over another.

While a prior Statement of Reasons document stated that “Other project types cannot be included in this proposal because there is no quantification mechanism within the applicable protocols to identify and remove crediting of partial Reporting Periods,” we adamantly disagree with this conclusion since credits associated with a particular period of non-compliance could be readily and accurately calculated from forestry projects. By way of example, if a forestry project was found to be out of regulatory compliance, the carbon sequestration represented in the forest growth and the wood products generated (if any) during the period of non-compliance could be subtracted from the reporting period. This can be accomplished to a high degree of accuracy by accounting for the precise growth and harvesting activities that took place during the period of non-compliance. Given this ability to quantify and remove crediting of partial Reporting Periods for forest projects, and ARB’s general policy that all offset project types should be given the same regulatory treatment wherever possible, we believe forestry projects should be included with livestock, MMC and ODS in the amendment to the regulatory compliance rule.

It should also be noted that any claims of start and end dates or calculations of affected Offset Credits during a period of noncompliance would need to be “to the satisfaction of ARB,” similar to this same requirement in Section 95973(b)(1).

Thank you very much for the opportunity to comment on these very important issues. As a company that exists to improve the world by improving the environment, we look forward to continuing to help California achieve its ambitious climate goals.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Townsend", with a stylized flourish at the end.

Kevin Townsend
Chief Commercial Officer
Bluesource