



July 8, 2016

Rajinder Sahota, Branch Chief, Cap-and-Trade Program  
California Air Resources Board (ARB)  
1001 I Street  
Sacramento, CA 95814

RE: 2030 Scoping Plan Update Concept Paper

Dear Ms. Sahota:

The American Carbon Registry (ACR), an ARB-approved Offset Project Registry (OPR) for the California cap-and-trade program, welcomes the opportunity to offer input on ARB's concept paper for updating the 2030 scoping plan. Our comments herein focus heavily on how the scoping plan can take advantage of the important work and capabilities already developed by OPRs.

As an overriding comment, we strongly encourage ARB to adopt a Concept, fortified with science- and market-based strategies, that ensures the greenhouse gas (GHG) reduction goals articulated in Governor Brown's Executive Order B-30-15 will be met. In this light, we believe that all four Concepts and various elements of them could be strengthened by incorporating offsets and leveraging OPRs.

*Concept 1, Complementary Policies with a Cap-and-Trade Program*

Only this approach guarantees we will achieve our ambitious but imperative carbon reduction targets. Certainty is critical. Anything less diminishes Californians' resolve to confront potentially catastrophic climate change. Emissions reductions outside the cap – offsets – provide cost containment that will be increasingly important as carbon prices rise. Furthermore, offsets projects provide well known co-benefits. Among these are enhanced forest and wetland ecosystems, improved soil health, odor control at livestock operations, and less water intensive rice cultivation. Achieving these gains also delivers investment and jobs to local communities.

*Concept 2, Ambitious Complementary Policies without Cap-and-Trade; a Focus on Industrial Sources*

Imposing entity-level declining GHG caps on stationary sources, without any other avenue for compliance, risks a scenario in which facilities quickly exhaust options to reduce emissions and then, with further reductions uneconomic or impossible, leave the state. Unlike criteria pollutants that can be addressed with air pollution control technologies, reducing carbon dioxide is more complex and, for practical purposes, is limited, requiring improvements to processes and efficiency. If Californians wish to retain and attract industry, allowing industrial emitters the alternative of complying with offsets would be the only practical approach.

### *Concept 3, Ambitious Complementary Policies without Cap-and-Trade; a Focus on Transportation*

This approach would necessitate a Low Carbon Fuel Standard (LCFS) that is dramatically more aggressive. The LCFS already sees prices over \$100 per credit. In order to avoid steep hikes in gasoline prices, potentially triggering public backlash, petroleum companies would need to be able to finance emissions reductions outside of their sector. An offsets program would allow compliance entities, and by extension all California drivers, to achieve the needed GHG reductions at reasonable expense.

### *Concept 4, Complementary Policies with a Carbon Tax*

A carbon tax regime that allows offsets cancellation in lieu of tax payment can provide cost containment, as well as real emissions abatement. Carbon taxes can easily create an economic burden with no directly attributable emissions reduction; determining the carbon tax rate that will incentivize a required emissions reduction is difficult, and appetite for anything that seems “too high” is typically lacking. Paying for offsets pays for GHG mitigation. Paying a tax, on the other hand, simply allows climate pollution to continue – for a price. Therefore, a carbon tax structure must incorporate offsets to ensure any measure of success. In North America, the Canadian province of Alberta’s Specified Gas Emitters Regulation (SGER) and Mexico’s carbon tax on fossil fuel production both take some form of this approach.

### *Low Carbon Fuel Standard*

We note that the LCFS features in all four Concepts. We applaud ARB’s recent move to improve the efficiency of this program by incorporating OPRs into the process of oversight and credit issuance for a dairy biogas to CNG pathway.<sup>1</sup> In doing so, ARB avails of additional resources – subject matter experts – with no additional taxpayer dollars. We encourage ARB to continue with this approach, particularly for those pathways that can build on existing OPR methodologies, such as for carbon capture and storage.

### *Short Lived Climate Pollutant Strategy (SLCP Strategy)*

The SLCP Strategy is also a component of all Concepts, and ACR concurs that addressing these pollutants is critical. With reference to the goal of reducing methane and hydrofluorocarbon emissions 40% by 2030, OPRs and their offsets methodologies can provide valuable support. Among ACR’s directly applicable methodologies are the following:

- Grazing Land and Livestock Management includes enteric and manure methane from dairy and beef production.
- Rice Management Systems
- Transition to Advanced Formulation Blowing Agents in Foam Manufacturing and Use
- Use of Certified Reclaimed HFC Refrigerants and Advanced Refrigeration Systems
- Destruction of ODS and High Global Warming Potential Foam (in scientific peer review), an update to ARB’s existing ODS destruction protocol with new eligible ODS sources, destruction monitoring methods and emissions factors for foam projects, all of which will likely expand the protocol’s utility and intent to incentivize the destruction of ODS and high global warming potential foam.

No doubt ARB seeks to maximize SLCP reductions as quickly as possible and at least cost. Mechanisms that facilitate transferability of credit for reductions have proven successful in attracting private capital and accelerating environmental progress. As such, OPR infrastructure should be employed within the SLCP Strategy.

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<sup>1</sup> <http://www.arb.ca.gov/fuels/lcfs/2a2b/apps/Calbio-122115.pdf>

### *Natural and Working Lands*

All four Concepts articulate important goals for the natural and working lands sector, distilled from the higher level objectives described at a March 2016 workshop. Land use is, in the scale of both its contribution to climate change and its possibilities to provide solutions, too little understood or acknowledged. It is thus heartening to see California assume the challenge of a leadership role on this issue. Again, OPRs and their methodologies can augment success at no public expense. Land use has been a major focus for ACR, building on the history and expertise of our parent organization, Winrock International. The following ACR methodologies may be of particular value:

- Compost Additions to Grazed Grasslands
- Grazing Land and Livestock Management
- Rice Management Systems
- Avoided Conversion of Grasslands and Shrublands to Crop Production
- Changes in Fertilizer Management
- Restoration of California Deltaic and Coastal Wetlands (in scientific peer review)

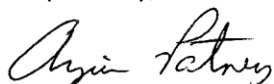
Across the amorphous issues of land use, market mechanisms are necessary to sift out the least-cost, highest-benefit solutions. Alternatives risk suboptimal outcomes, unintended consequences, and wasted resources. Based on sound science and transparent structures, offsets and OPRs can and should be incorporated within a natural and working lands strategy.

### *Environmental Justice*

ACR is proud to be a part of the non-profit Winrock International. Winrock's mission is to empower the disadvantaged, increase economic opportunity, and sustain natural resources across the globe. Inspired by its namesake Winthrop Rockefeller, Winrock combines scientific and technical expertise with entrepreneurial innovation to deliver market-based solutions that improve lives around the world. Through ACR, Winrock contributes to climate action that seeks to assist those most vulnerable to climate change and that delivers benefits equitably. By generating carbon offsets through improved management of forests on tribal lands, Native American peoples' commitment to environmental preservation continues, while returning millions of dollars to tribes to better local conditions. Livestock methane projects, albeit far smaller contributors to California's climate progress, offer opportunities and environmental benefits for communities in the Central Valley.

We appreciate the opportunity to provide these comments, and we look forward to continued engagement as the process moves forward. If you would like to further discuss these suggestions, please feel free to get in touch.

Respectfully,



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