The Nature Conservancy
Protecting nature. Preserving life.™

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Ms. Shelby Livingston
Climate Investments Branch
California Air Resources Board
Submitted via e-mail

Re: The Nature Conservancy Comments on Cap and Trade Auction Proceeds: Funding Guidelines for Agencies that Administer California Climate Investments

Dear Ms. Livingston:

The Nature Conservancy appreciates the opportunity to comment on the draft *Cap and Trade Auction Proceeds: Funding Guidelines for Agencies that Administer California Climate Investments*. Overall, the funding guidelines provide a sound foundation to help guide how state agencies should invest auction proceeds to fulfill California's greenhouse gas (GHG) reduction goals, including the Global Warming Solutions Act (AB 32) and supporting legislation. The Conservancy recommends some additional guidance and clarification to support greater consistency across agencies and sectors for estimating and monitoring GHG reductions and other benefits in support of state goals:

1) ***Define key principles and terms related to GHG reductions:***

The funding guidelines, pursuant to legislation, require that investments achieve GHG reductions consistent with AB 32. The term greenhouse gas reductions, as well as other key terms, are mentioned throughout the document, but are not supported by clear and consistent definitions – leaving open the possibility for different definitions and applications of these terms, and therefore, different outcomes.

We strongly recommend that the funding guidance be amended to include a common set of principles and definitions related to greenhouse gas reductions and accounting. These principles and definitions should include "real, permanent, quantifiable and verifiable," which are principles used to define greenhouse gas reductions pursuant to AB 32 (*see section 38562 (d)(1) of the Public Health and Safety Code*). These principles should also be identified as part of the Guiding Principles for GGRF Design on p. 20 of the draft funding guidance and should be included in the administering agencies guidelines and solicitation materials.

Other terms, such as "project," "greenhouse gas reduction," and "greenhouse gas baseline" should be defined, since they are common terms that are used in GHG accounting. To the extent these principles and terms are already defined in AB 32 regulations, the California Air Resources Board (ARB) should use these definitions. Defining these terms in the guidelines and basing them on existing ARB definitions will reduce inconsistent approaches to GHG accounting within and across programs and will lead to greater efficiency in reporting and demonstrating progress toward the state's overall GHG goals.

2) *Include AB 1532 co-benefit guidance as part of public reports and accountability*

The Conservancy appreciates the recognition of co-benefits in the draft funding guidelines and criteria identified in the Greenhouse Gas Reduction Fund Investment Plan and Communities Revitalization Act (AB 1532). As identified by the Act in Section 39712 (b)(1) – (6) (and the draft guidelines):

> *Moneys shall be used to facilitate the achievement of reductions of greenhouse gas emissions in this state consistent with this division and, where applicable and to the extent feasible: (1) Maximize economic, environmental, and public health benefits to the state. (2) Foster job creation by promoting in-state greenhouse gas emissions reduction projects carried out by California workers and businesses. (3) Complement efforts to improve air quality. (4) Direct investment toward the most disadvantaged communities and households in the state. (5) Provide opportunities for businesses, public agencies, nonprofits, and other community institutions to participate in and benefit from statewide efforts to reduce greenhouse gas emissions. (6) Lessen the impacts and effects of climate change on the state's communities, economy, and environment.*

To ensure that investments in GHG reductions facilitate multiple benefits, the criteria listed above, in addition to other benefits, should be required as part of the public reports and the guiding investment principles identified in Section IV. A. (pp. 20 – 22) of the general guidance and should be included in the administering agencies guidance and solicitation materials described in section VI.A. of the general guidance (p. 30).

3) *Further consideration and guidance is needed on combining GGRF with other environmental credits or mitigation*

General guidance language on p. 22 of the funding guidelines state that agencies are not prohibited from using the GGRF to support new environmental credit projects, such as carbon offsets. More consideration should be given to this provision as the use of GGRF funds with offset or other mitigation projects could result in double counting or double payment of GHG reductions or support activities that are not additional from an atmospheric perspective (i.e., not "real," as stated in the guiding principles on p. 21).

Thank you for your consideration, and we are happy to provide additional input. If you have any questions, please contact Michelle Passero at mpassero@tnc.org.