CLIMATE CHANGE POLICY COALITION

To: The Honorable Mary Nichols, Chair
California Air Resources Board

Fr: Climate Change Policy Coalition

Date: April 28, 2017

Re: CCPC Comments Regarding the California Air Resources Board's Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms Regulation and the Proposed Amendments to the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions

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The Climate Change Policy Coalition [CCPC] is a coalition of business, housing and agriculture, taxpayer groups working for effective implementation of California's climate change policies. Our goal has been and continues to be to serve as a constructive voice in the implementation of AB 32 and ensuing legislation and regulations to ensure that the greenhouse gas emission reductions required by the statute are achieved while maintaining the competitiveness of California businesses and protecting the interests of consumers and workers.

Our comments today respond to the California Air Resources Board's (ARB's) Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms Regulation and the Proposed Amendments to the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions.

CCPC continues to believe that the most comprehensive and effective scenario alternative ARB Staff has developed for recommendation to the Air Resources Board for adoption in June is Alternative 3 – All Cap-and-Trade: 2030 GHG and Air Quality Reductions.

The options offered in the Scenario 3 design include existing statutory mandates and capturing the balance of emissions through the cap-and-trade program will meet the objective for the Scoping Plan Update.

Assistance Factor Equity

It seems that while all California's diverse businesses are working together in our climate change policy efforts, it appears the language in the new cap-and-trade regulation amendment text is picking winners and losers within our cap-and-trade market system, specifically Section 95892 "Allocation to Electrical Distribution Utilities for Protection of Electricity Ratepayers." Exempting certain sectors from the cap-and-trade program while continuing to reduce assistance factors for other sectors comes across as arbitrary. Such an action will ultimately undermine the cap-and-trade program. The goal is to reduce our GHG emissions while avoiding price shocks to all consumers for all goods and services, not only the cost of electricity. CCPC along with other stakeholders urge ARB to continue to apply the cap adjustment factor and not lower the standards for EDUs.

Post-2020 Assistance Factor

CCPC and others believe that there are many outstanding issues with previously proposed assistance factor methodologies. While CCPC thanks staff for delaying a decision on assistance factors post-2020, we would appreciate assurances that this additional time will be used to do a better forward looking analysis, not to simply put the burden on industry to counter flawed studies and confidential data with each sector's own work. Furthermore we would note that there would be no down side from an environmental perspective if ARB moved forward in providing the necessary industry assistance. In fact, the only downside comes when industry assistance is withheld, namely in the form of economic leakage. As we've stated, we believe to achieve the 2030 goals for SB 32, the existing cap-and-trade program needs some improvement to minimize leakage in order for it to become a more meaningful program.

Account Representation

The proposed change requires ARB to review and approve any change an entity makes to their account representation. This will increase the complexity of compliance and cause delays, as well as increasing operating costs and difficulties for both ARB and participating entities.

CCPC asks that ARB provide the rationale behind the need for this change and perform analysis on the effects this change will have on the staff's workload and any projected need for additional staff or funding.

MRR

CCPC continues to be opposed to changing the Mandatory Reporting Regulation amendments (MRR) report verification deadline to August. We believe that moving the verification deadline from September to August will create a significant burden for both reporting entities and verification bodies. We continue to advocate for maintaining the September 1st MRR verification deadline and, if necessary, consider pushing back cap-and-trade deadlines that appear to have flexibility.

However if ARB feels strongly about moving forward with the August deadline, we would continue to request:

- ARB develops a process to streamline the process for Conflict of Interests reviews for verifiers. For facilities using the same verifiers, not new ones, it seems reasonable that such reviews and approval should only take a day - not two weeks;

- ARB considers efficiencies within ARB staff and verifier activities allowing a compromise verification completion date in recognition of the added scheduling burden to reporting entities;

- That flexibility be provided to obligated parties if reporting dates create problems arising from industry-specific sector needs (such as crop processing or high demand conditions);

- Provide incentives for advanced reporting and verification;

- Alignment of penalties, allowing for verification compliance problems beyond the control of the obligated party; and,

- Recognition of good-faith efforts by obligated parties to provide timely compliance that is otherwise compromised.

CCPC looks forward to working with ARB staff to improve the 2030 the cap-and-trade and MRR regulations to ensure California's climate change policies objectives are met. Should you have any questions or need anything further from us, please feel free to contact Shelly Sullivan at (916) 858-8686.

cc: ARB Board Members
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