



June 22, 2022

California Air Resources Board  
1001 I Street  
Sacramento, CA 95814

*Submitted electronically*

**Re: Draft 2022 Climate Change Scoping Plan**

Dear Chair and Board members:

Thank you for the opportunity to provide comments on the draft Scoping Plan directly related to the role of the cap-and-trade program in the scenario development process. Our organizations have been engaged in this program, as well as the associated rulemaking and legislative decision-making processes, for many years. The 2022 Scoping Plan process presents a timely opportunity to evaluate the role of the cap-and-trade program in our overall climate program, and to explore potential changes to the program to ensure climate justice is realized - as outlined by Secretary Blumenfeld in his June 18, 2020 letter to the Legislature.

**First and foremost, CARB must prioritize direct emissions measures in the Scoping Plan.**

Despite what CARB said in the 2017 Scoping Plan, cap-and-trade is *not* a direct emission measure - it is a market-based mechanism, as defined in and authorized by statute. Legislation requiring the prioritization of direct emissions measures should be reflected in the distribution of measures identified in the scenario to reach the 2030, and subsequent carbon neutral, targets.

Direct emissions measures include, but are not limited to, the following ideas suggested by the Environmental Justice Advisory Committee: stronger vehicle standards, accelerated clean energy targets under the Renewable Portfolio Standard, managed decline of fossil fuel extraction and production, reducing pesticide use, and investment in whole home retrofits that would decrease fossil fuel and electricity demand over time.

**Second, CARB should reduce the percentage of reductions expected from the cap-and-trade program.**

There is no evidence that cap-and-trade is driving emissions reductions, particularly given the persistently high emissions in some covered sectors and the existence of more direct measures that are much more likely to drive reductions. In the 2017 Scoping Plan, CARB adopted a scenario that assumed cap-and-trade would deliver almost half of the reductions needed to reach the 2030 target, and five years later we have no evidence of that expectation being realized. The unpredictability of the carbon market and the need for accelerated emissions reductions to meet our 2030 climate targets demands prudence in the expectations we put on this program to deliver significant reductions in time.

**Third, CARB should strengthen data reporting to ensure timely tracking of emissions changes.** Improved data collection and transparency would better inform decision-making and rulemaking processes as we strive to reach our ambitious climate targets while addressing public health concerns through improved air quality. CARB, as the agency in charge of our state implementation plans, cannot afford to keep taking a siloed approach to data collection and interventions that could reduce both greenhouse gasses and co-pollutants.

Specifically, in the next cap-and-trade rulemaking, CARB should require annual progress updates from covered entities. That data should be integrated into CARB's Pollution Mapping Tool for public review, and allow visualization on a facility- and company-specific scale.

**Finally, CARB should make scenario assumptions that include key changes to the program to provide greater certainty that cap-and-trade will deliver the needed reductions without creating further harm in environmental justice communities:**

1. Eliminate free allowances. When the cap-and-trade program began, CARB included free allowance allocations as a way to gradually phase in the program, and to prevent leakage within specific sectors that could relocate out of state. In 2017, however, when the Brown Administration negotiated the extension of the program until 2030, a deal was struck to eliminate the phasedown of those free allowance allocations, and to keep them higher than early analyses deemed was necessary. If free allowances are not eliminated, CARB should commit to evaluate the impact of free allowance allocations on facility emissions within disadvantaged communities, and should return to the prior leakage analysis conducted in early rulemakings to ensure allocations are based on data of leakage risk - and not simply on politics.
2. Eliminate offsets. There is ample research that raises serious questions about the validity and permanency of offset projects. To continue to subsidize those dubious "reductions" in a manner that allows continued emissions in communities in California is unacceptable. CARB should also evaluate ways to correct course on credits that have already been used for compliance that were sourced from projects that have demonstrated they are not delivering the reductions assumed. CARB should also continue to not allow international credits to be valid for compliance, such as those generated under the Tropical Forest Standard or the Reducing Emissions from Deforestation and forest Degradation (REDD+) program. If this recommendation is not accepted by CARB, then staff should correct their definition of "direct environmental benefits" that makes absolutely not distinction between credits generated by projects that provide a direct benefit and those that do not; the current definition utilized by CARB allows practically any credit to qualify as providing a direct environmental benefit to California air and water, which flies in the face of the logic used to inform the definition in AB 398 (E. Garcia, 2017). Proper application of the intent of "direct environmental benefits" ensures communities negatively impacted by co-pollutants in their air or water are not continually (or further) harmed by the continued emissions allowed by the use of offset credits for compliance purposes.

3. Restrict trading in disadvantaged communities. Continuing to accept allowances in lieu of emissions reductions, particularly in communities that are out of compliance with decades-old clean air standards, should be out of the question. Facilities in and directly adjacent to disadvantaged communities, facilities located in communities that are out of compliance with clean air standards, and other overburdened communities should not be allowed to trade allowances or use offset credits, and should instead be required to demonstrate facility-level reductions on par with the declining cap. This would protect the most impacted communities from co-pollutants. We reject the notion that AB 617 (C. Garcia, 2017) will deliver the needed reductions; after five years of program implementation, the program has still failed to generate significant air quality improvements, and is not a sufficient substitute for coordinated, state protections for communities overburdened by air pollution.
  
4. Adopt the recommendations from the Independent Market Advisory Committee (IEMAC). If earlier recommendations are not adopted, we urge you to consider and adopt the recommendations of the IEMAC in their recently submitted letter related to offset availability. We also hope CARB will adopt the IEMAC's recommendations on raising the allowance price floor and reducing the supply of new allowances to keep the system as stringent as possible. Again, earlier CARB rulemakings included robust analyses of allowance credits, and even led the agency to retire allowances in response to the ongoing effect of the 2008 recession to ensure the system was stringent enough to drive needed emissions reductions. Please return to that level of academic analysis to inform system design.

Thank you again for the opportunity to provide comments specific to the role of the cap-and-trade program in the Scoping Plan. Do not hesitate to reach out to the EJAC Cap and Trade Workgroup if you'd like to discuss these requests in further detail.

Sincerely,

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