



Mary D. Nichols, Chairman
California Air Resources Board
1001 I. Street
Sacramento, CA 95814

March 8, 2013

Re: Investment Plan for AB 32 Cap-and-Trade Auction Proceeds

Dear Chairman Nichols:

On behalf of Environmental Defense Fund (EDF), I am writing to provide comments on the investment plan for AB 32 Cap-and-Trade auction proceeds.

While the focus of this letter is on EDF's recommendations, we are united with colleagues in our continued broad support of an investment plan that includes a suite of environmentally-sound investment opportunities and adheres to the goals of AB 32, AB 1532 and SB 535 (see attached appendices). We believe that the investment plan should be a visionary document consistent with the guidance identified in these laws and our previous statements. Furthermore, we urge CARB to add investment principles to the draft plan to ensure that investments will result in GHG reductions that are supported by sound science, consistent accounting methods and transparency.

We support the idea of investment phases articulated in the ARB concept paper. Both near and long-term investments are needed to help California achieve the state's 80% reduction goal by 2050. It is important to get early wins by using proceeds to support already-established programs such as energy efficiency retrofits and incentives for zero emission vehicles, but it is equally important to fund transformational projects such as advanced technologies that will enable a smart grid or innovations in agricultural practices such as fertilizer management. We especially want to see projects that can deliver a "triple bottom line," which benefit people, the planet, and the economy. We know that all three of these things can grow together, and California has what it takes - the innovation of Silicon Valley and the world-class universities and national laboratories - to lead the rest of the country to a clean and efficient economy.

Below are a couple of areas where EDF works most closely and where we see opportunities for smart investment of the proceeds.

Energy Efficiency

One of the fastest and most cost-effective ways to cut greenhouse gas emissions is to improve energy efficiency in buildings. McKinsey & Company estimates that the United States could reduce its annual energy consumption 23% through efficiency measures, cutting greenhouse gas

emissions by over a gigaton, and saving companies and consumers over a trillion dollars¹. EDF has several projects working to unlock the energy efficiency potential in buildings. We've found that the biggest barriers aren't technological ones, but behavioral, informational, financial and system problems. The split incentive problem where the landlord owns the equipment but does not pay the energy bill so is not incentivized to invest in efficiency improvement is a long standing barrier to energy efficiency. EDF has been working on On-Bill Repayment (OBR) to help overcome this problem.

The ARB concept paper highlights Electricity & Commercial/Residential Energy as one of the priority areas for investment, and mentions Property Assessed Clean Energy (PACE) as a potential energy efficiency project to pursue. The Governor's budget summary states that *'Encouraging energy efficiency projects with financing incentives such as the Property-Assessed Clean Energy (PACE) program will help individuals and families who need longer timeframes and simpler terms than traditional financing to pay for home energy improvements'*. Like PACE, [OBR](#) provides an affordable alternative to traditional energy efficiency financing, and is currently being developed by the State. OBR is a promising solution that expands clean energy access beyond what is achievable through PACE, allowing renters and deed-restricted multifamily property owners to pursue energy upgrades. EDF believes a valuable investment for auction proceeds could be to provide credit enhancements for an OBR program to insure that energy efficiency projects are benefiting those who need it most. Targeted use of auction proceeds to leverage OBR would thus advance AB32 goals and help to fulfill 535 obligations.

Agriculture and Working Lands

EDF is working with scientists, policy makers, and farmers to evaluate the best ideas and practices in agriculture. Working lands are not only important to the California economy, but also key to the solution of climate change. For example, incentivizing the preservation of agricultural lands will reduce urban sprawl and the increased vehicle trips that come with it. In addition, incentivizing better fertilizer practices, will reduce the release of nitrous oxide into the atmosphere, a potent GHG, as well as reduce the release of nitrates into the water supply. These kinds of investments can benefit farmers who manage the land, and promote cleaner air and water for all California citizens, while also contributing to the goals of AB 32.

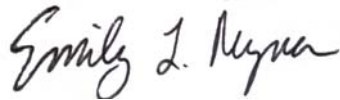
These are just a couple examples of the "Triple Bottom Line" we can create with smart investments. Our ["Invest to Grow" report](#) that we submitted in comments in June 2012 highlights further ideas.

From the meetings we attended in Fresno, Sacramento and Los Angeles we see that there is no shortage of ideas on how best to invest auction proceeds. We support an ongoing discussion of the best use of auction proceeds, and feel confident that good ideas will rise to the top. We want to help make sure the investments, and the process for choosing them, are sound and include the best thinking and analysis possible.

¹ "Unlocking Energy Efficiency in the U.S. Economy," McKinsey & Company, July 2009.

EDF appreciates the opportunity to provide these comments and looks forward to working with the Air Resources Board, the Department of Finance, the Governor's Office and other stakeholders to ensure that proceeds are invested wisely and accelerate economic growth in sectors that put Californians to work and help the state protect the environment and public health.

Sincerely,

A handwritten signature in black ink that reads "Emily L. Reyna". The signature is written in a cursive, flowing style.

Emily Reyna
Senior Manager, US Climate and Energy
Environmental Defense Fund

Cc: Cliff Rechtschaffen, Governor's Office
Martha Guzman-Aceves, Governor's Office
Ken Alex, Office of Planning and Research
Karen Finn, Department of Finance
Cynthia Marvin, Air Resources Board

APPENDIX



February 6, 2013

Mary Nichols, Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95812-2815

RE: Suggested Overarching Principles to Govern All Allowance Revenue Investments

Dear Chair Nichols,

As the investment plan for the cap and trade auction proceeds is developed, the undersigned organizations encourage the California Air Resources Board, Department of Finance and other relevant state agencies to incorporate several overarching investment principles to help track the intended climate and public benefits of the investments and facilitate understanding of what's being accomplished in California's fight against global warming. Our recommended investment principles include:

Transparency:

- a. Project information, including investment amount, progress reports, project details, and benefits should be readily accessible and available to the public.
- b. Methods to monitor greenhouse gas reductions, and the related social, environmental and economic co-benefits should be transparent and available to the public.
- c. Project information should clearly indicate whether the investment is intended to contribute to meeting the requirements of SB 535 (De Leon).

Accountability:

- a. Investments, their GHG reductions and public benefits, should be monitored and reported over a meaningful timeframe.
- b. Impacts and progress from investments should be tracked at programmatic and projects scales.
- c. The benefits of an investment must outweigh any adverse impacts associated with the project.

Consistency

- a. Standard and accepted GHG accounting methods should be used to estimate and monitor investments across capped and uncapped sectors.
- b. Greenhouse gas accounting guidelines used by agencies should be vetted by ARB to ensure consistency.
- c. To the maximum extent feasible, the process for assessing and reporting social, environmental and economic benefits of investments should be consistent across agencies.

Scientific support

- a. Investment decisions and evaluation of GHG reductions should be based on peer-reviewed literature or in its absence, the best available science, and show a nexus between the investment and greenhouse gas reductions.

We thank you for your consideration and look forward to providing additional feedback on the investment plan as more information becomes available.

Sincerely,

Bonnie Holmes-Gen
Senior Director, Policy and Advocacy
American Lung Association in
California

Mari Rose Taruc
State Organizing Director
Asian Pacific Environmental Network

Nick Lapis
Legislative Coordinator
Californians Against Waste

Jeanne Merrill
Policy Director
California Climate & Agriculture
Network

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Erica Morehouse
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The Greenlining Institute

Paul Mason
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The Pacific Forest Trust

Michelle Passero
Senior Climate Policy Advisor
The Nature Conservancy

Rico Mastrodonato
Senior Government Relations Manager
The Trust for Public Land

Joshua Stark
State Campaign Director
TransForm

Cc: Cliff Rechtschaffen, Governor's Office
Martha Guzman-Aceves, Governor's Office
Ken Alex, Office of Planning and Research
Karen Finn, Department of Finance
Jack Kitowski, Air Resources Board



AB 32 Program Investment Statement

California's environmental, health, and community organizations recommend that state policymakers invest AB 32 program revenues consistent with its purpose and pertinent legislation and according to the requirements for the use of moneys derived from valid regulatory fees. Specifically, investments should reduce greenhouse gas (GHG) emissions while providing additional benefits enumerated in law, such as advancing clean energy, creating in-state jobs, protecting California's vulnerable and disadvantaged communities, promoting environmental health, ensuring public health, and reducing the impacts of climate change.

- **As a threshold requirement, all investments should support AB 32 goals and reduce greenhouse gas emissions**
- **Investments consistent with AB 32 and recent legislation* should be prioritized to:**
 - Maximize benefits for disadvantaged communities
 - Promote statewide job creation
 - Foster a clean energy economy
 - Maximize public health benefits
 - Maximize environmental benefits
 - Address the impacts and effects of climate change
- **Using this prioritization criteria, appropriate AB 32 program investments in quantifiable GHG reductions should:**
 - Support sustainable land use, affordable transit-oriented housing, clean passenger vehicles, transit and freight transportation
 - Increase biological carbon sequestration on and reduce emissions from natural and working landscapes and urban forests through restoration and conservation
 - Reduce waste while increasing California-based manufacturing associated with low-carbon recycled content goods
 - Advance renewable energy and energy efficiency technologies, including water efficiency
 - Protect and prepare communities most vulnerable to public health impacts related to climate change
 - Ensure Investments in identified disadvantaged communities
- **Use of auction revenues should take into account other dedicated funding sources that reduce GHG emissions and be coordinated across state agencies, monitored, and reported**

* Other pertinent legislation includes AB 1532 and SB 535



Finding the ways that work

February 1, 2013

John B. Faust, Ph.D., Chief
Community Assessment and Research Section
Office of Environmental Health Hazard Assessment
151 Clay St., Suite 1600
Oakland, CA 94612

Re: Comments on the Second Public Review Draft of the California Communities Health Screening Tool (CalEnviroScreen)

Dear Dr. Faust,

Thank you for the opportunity to comment on the second public review of the draft CalEnviroScreen. We believe this is a key resource that will help identify communities who are facing multiple environmental and socio-economic impacts and direct investments that will promote and strengthen the goals of the California Global Warming Solutions Act, AB 32, and other related policies.

As a science-based environmental organization, we believe climate change is one of the most pressing issues threatening the health and safety of all communities. Disadvantaged communities with the least access to health care and other services often bear the worst of many climate related impacts – too often these are the same communities who suffer from poor access to clean air and water, and live in close proximity to polluting sites which include port facilities, oil refineries, waste facilities, and major highways.

While fighting climate change and improving air and water quality are critical for California's vulnerable populations, these communities also need jobs and investments to spur economic growth. This is precisely why we support investments that provide a "triple bottom line" that can benefit the environment, the local economy, and the health and safety of disadvantaged communities already feeling disproportionate impacts of pollution.

For all these reasons, it is critical to have a tool that can identify through a scientifically-rigorous analysis the communities who are most needy and direct investments in those communities accordingly. We fully support OEHHA's second draft of the CAIEnviroScreen, and commend the agency's commitment to transparency and public participation. In addition to the scientific metrics already used in the screening tool, we offer two suggestions:

- Utilizing federal census data to increase the granularity of available information and also provide access to new tools such as tracking communities with low access to health care

services, this can be accessed publically through the Center for Medicare and Medicaid Services, at <http://www.cms.gov/Outreach-and-Education/Outreach/HIMarketplace/Census-Data-.html>.

- Working with academia to catalogue regions most at-risk for extreme weather, including extreme heat waves. An example of this scholarly work is being piloted by the University of California, Los Angeles, and can be accessed at <http://c-change.la/temperature/>.

Including these metrics in future versions of the tool can help ensure an even more accurate and robust assessment of environmental impact and other risk-factors.

Thank you for the opportunity to comment on this version of the CalEnviroScreen, we believe it is an important step toward promoting equity and strengthening the goals of AB 32. We look forward to working with the Office of Environmental Health Hazard Assessment (OEHHA) and other stakeholders to continue to develop this effective and data-driven tool for assessing investment priorities.

Sincerely,

Jorge Madrid
Policy Fellow, US Climate and Energy
Environmental Defense Fund

Erica Morehouse
Staff Attorney
Environmental Defense Fund