



## **IETA COMMENTS ON THE CARB 2022 DRAFT SCOPING PLAN UPDATE**

The International Emissions Trading Association (IETA) appreciates this opportunity to submit comments on the California Air Resources Board's (CARB) Draft 2022 Scoping Plan Update.

As the leading international business voice on climate markets and finance, IETA's non-profit organization represents over 200 companies, including many facing climate risks and opportunities across the West Coast. IETA's market expertise is regularly called upon to inform market-based policies that deliver measurable greenhouse gas reductions and removals, address economic competitiveness concerns, and balance economic efficiencies with social equity and co-benefits. Our mission is to support broad and functional carbon markets, guided by the principles of efficient, low-cost, measurable climate outcomes while ensuring environmental integrity.

IETA appreciates the tremendous effort undertaken by CARB staff and their contractors in developing the scenario alternatives, modeling outcomes, conducting extensive public outreach, and drafting the Scoping Plan Update.

### **1 Preferred Scenario**

The modeling exercises undertaken via the Scoping Plan selects scenarios and estimates outcomes resulting from those scenarios. Unfortunately, the modeling exercises make no effort to optimize for policy mixes that return a least-cost solution, which would necessarily reflect a stronger role for the cap-and-trade program. As such, IETA believes the Scoping Plan reflects political preferences rather than optimized policies.

IETA appreciates that reducing California's GHG emissions is urgent and that California plays a political leadership role domestically and internationally. As modeled, scenarios that endorse a 2035 timeline carry serious questions related to the high cost associated with the early retirement of a vast inventory of existing equipment, replacement with equipment that may not be available in the near term, as well as the increased risk of leakage and negative economic and employment impacts.

While we do not support any specific scenario selected by CARB, we do view Alternative #3 as reasonable and achievable. That said, IETA urges CARB to consider adding a further emphasis on cap-and-trade into Alternative #3, as discussed in the next section.



## 2 Role of Cap and Trade

We appreciate CARB’s statements in the Scoping Plan Update affirming the continued critical role of Cap-and-Trade in getting California to carbon neutrality. As we have stated previously, IETA believes the Cap-and-Trade program should play a “workhorse” role rather than a “backstop” role in California’s climate change mitigation efforts. IETA understands that the reduced role of Cap-and-Trade that CARB foresees in the 2022 Scoping Plan Update is due to an increasing number of legislatively and executive order mandated direct regulations and prescriptive program requirements. However, it remains our position that the most cost-effective path to carbon neutrality would be for California to extend its Cap-and-Trade program and establish caps that decline to net zero by 2045.

These caps should specifically provide for a way to account for negative emission technologies (NETs) and approaches, which the United Nation’s Intergovernmental Panel on Climate Change (IPCC) finds are essential to achieving carbon neutrality. Specifically, all climate models employed by the IPCC agree that carbon neutrality by 2050 cannot be achieved without large scale deployment of CCUS and carbon removal technologies, such as direct air capture. IETA recommends that California reduce its dependence on direct policies so that the Cap-and-Trade program can take a central role by reducing more emissions at lower costs.

We appreciate that CARB has the proper framework in mind for achieving Carbon Neutrality by including both emission reductions and carbon removal in their analysis. We look forward to working closely with CARB in the event they open a Cap-and-Trade rulemaking as part of the regulatory and programmatic alignment following the adoption of the Scoping Plan Update. We’re eager to discuss how to strengthen the program, remove market uncertainty through extending the program, incorporate carbon removal, and protect the health of all Californians.

We look forward to close and frequent engagement with CARB staff and other stakeholders over the coming months on ways to strengthen and enhance the Cap-and-Trade program. Please direct comments or questions to IETA’s West Coast Representative, John Blue ([blue@ieta.org](mailto:blue@ieta.org)).