



October 15, 2013

California Air Resources Board
1001 I Street
Sacramento, CA 94704

Re: Proposed Amendments to the Cap-and-Trade Program

Dear Chairman Nichols and Members of the Board,

The Greenlining Institute appreciates the opportunity to provide the following comments on staff's proposed amendments to the cap-and-trade program. While staff has proposed several significant changes, we offer recommendations on two critical components. First, we firmly oppose staff's proposal to extend industrial sector transition assistance for another compliance period. Second, we strongly support staff's framework for allocating allowances to the natural gas sector on behalf of customers and recommend an increase in the amount of allowances natural gas utilities must consign to auction.

I. Greenlining Strongly Opposes Staff's Proposal to Extend Transition Assistance.

We are deeply troubled by staff's proposal to extend transition assistance for the industrial sector in the absence of evidence indicating continued assistance is needed. ARB has not provided any supporting evidence that all covered industrial sectors, particularly petroleum refineries, need additional free allowances. California's unique circumstances make it very difficult for out-of-state refineries to compete with California's producers. As such, providing additional assistance on the basis of alleged leakage risk is unjustified.

Simply put, there is no evidence of leakage risk that justifies adoption of staff's proposal. However, the risk of providing polluters with windfall profits at the expense of California's consumers is well documented. ARB has sought to learn from the experiences of other jurisdictions as it designed the cap-and-trade program. ARB has previously recognized the risk of providing windfall profits to polluters, specifically citing the example of windfalls accruing to

Greenlining Coalition:

Allen Temple Baptist Church
American G.I. Forum
Asian Business Assn.
Asian Inc.
Black Business Assn.
Brightline Defense Project
California Black Chambers
California Hispanic Chambers
California Journal for FilAm

California Rural Legal Assistance
Chicana/Latina Foundation
Community Child Care Council
Community Resource Project
Council of Asian American Business Assn.
El Concilio of San Mateo County
Ella Baker Center for Human Rights
FAME Renaissance
Fresno Metro Black Chamber
Greater Phoenix Area Urban League

Hispanic American Growers Assn.
KHEIR Center
La Maestra Family Clinic
Mentoring in Medicine and Science
Mexican American Political Assn.
Mission Housing Development Corporation
Mission Language & Vocational School
National Federation of FilipinoAmerican Assn.
Oakland Citizens Committee for Urban Renewal
Our Weekly

Precinct Reporter Group
Rising Sun Energy Center
Sacramento Observer
San Francisco African American Chamber
San Francisco Housing Development
Search to Involve Pilipino-Americans
Southeast Asia Resource Action Center
TELACU
Time for Change Foundation
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European firms during the first phase of the European Union Emissions Trading Scheme.¹ At a minimum, taking such action at this time is premature until the supplemental leakage analysis is complete.

Extending transition assistance for the refining sector will only serve to further enrich some of the wealthiest companies on earth – polluters whose operations are overwhelmingly located in communities of color. It sends the message that delay and misinformation will be rewarded so long as polluters complain loudly enough. ARB has put a great deal of effort into cost containment mechanisms that protect polluter's bottom lines. Greenlining calls upon the Board to take commensurate steps to protect the bottom lines and health of California's struggling families. ARB can do so by instead focusing on implementing legislative directives to invest auction proceeds in a manner that reduces emissions while at the same time creating jobs and protecting public health.

II. Requiring that the Natural Gas Sector Allowance Revenues be Returned Non-Volumetrically is in the Public Interest and Benefits California's Consumers.

Greenlining strongly supports the overall framework for allocating natural gas sector allowances. Mirroring the precedent set by the electric sector framework, staff's proposal to allocate allowances on behalf of utility customers advances the principles of transparency and protecting low-income households while simultaneously offering opportunities to engage the public. Following in the footsteps of the electric sector will encourage further emissions reductions, preserve equity, and maintain consistency within the program.

We are greatly pleased to see ARB's recognition of the importance of returning allowance value to customers in a non-volumetric manner. Volumetric return sends the wrong message by conveying to end users that they are to be rewarded for increased consumption. ARB has rightly chosen to maintain the carbon price signal and provide incentives to customers to take actions in furtherance of the state's climate goals. ARB's proposed action further recognizes the critical importance of protecting low-income consumers and households that spend a greater proportion of their incomes on basic goods and services such as natural gas service. Returning allowance value non-volumetrically supports expansion of the California Public Utilities Commission's historic Climate Dividend program, thereby mitigating the disproportionate impact of carbon pricing upon disadvantaged communities.

Requiring that utilities consign allowances to auction on behalf of customers ensures that the carbon price signal is transparent and provides opportunities and incentives to invest allowance value in furtherance of additional GHG reductions. As such, we support an accelerated ramp up of the ratio of allowances consigned to auction as compared to the staff proposal. We recommend that the percentage consignment requirements start at 50% in 2015 and increase to

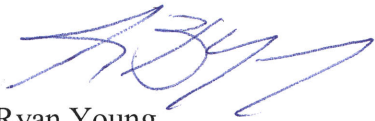
¹ ARB, *Appendix J – Allowance Allocation* (Dec. 2010) at J-9, available at <http://www.arb.ca.gov/regact/2010/capandtrade10/capv4appj.pdf>

100% by 2020. This approach allows for a smooth yet meaningful increase in the amount of assistance and investment provided directly to end-use customers and in particular low-income households.

Conclusion

We look forward to working closely with ARB to improve the cap-and-trade program and ensuring that the program works well for its intended beneficiaries – the people of California.

Sincerely,

A handwritten signature in blue ink, appearing to read 'RYAN YOUNG', with a stylized flourish at the end.

Ryan Young
Legal Counsel
The Greenlining Institute