



## AB 32 Implementation Group

Working Toward Greenhouse Gas Emission Reductions  
And Enhancing California's Competitiveness

**TO:** The Honorable Mary Nichols, Chair  
California Air Resources Board

**FR:** Climate Change Policy Coalition  
*Formerly the AB 32 Implementation Group*

**DATE:** March 11, 2016

**RE:** Climate Change Policy Coalition Comments -- California Air  
Resources 2016 Amendments to the Mandatory Reporting and  
Cap-and-Trade Regulations for Alignment with U.S. EPA Clean  
Power Plan

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The Climate Change Policy Coalition (CCPC) [*formerly the AB 32 Implementation Group*] includes industry and taxpayer organizations advocating for policies to reach AB 32 greenhouse gas (GHG) emissions reduction goals in the most cost-effective manner to protect jobs and the economy.

CCPC understands the need to plan for future and geographically broad climate change policies, however we believe it is critical to prioritize the scope of projects and balance near-term and future policies.

Among the CCPC principles is the belief that it is imperative to perform regular and extensive program reviews and economic analyses of each program and determine if and how they complement other existing regulatory efforts. Implementing climate change regulations in a duplicative or uncoordinated manner will result in inefficient and unnecessarily expensive GHG emissions reductions and squander limited resources generated through the cap-and-trade program.

Additionally, California employers and consumers deserve transparency to explain which agency is responsible for which program, where the programs overlap, identification of the lead agency, how much each agency is being allotted for program implementation and what funds are being used. Clarity in this manner will enable greater accountability with the public and help ensure the efficient use of resources.

California's employers and consumers are attempting to understand and determine how to operate under a number of new climate change regulations and plans, including: the Clean Power Plan; Short-Lived Climate Pollutants; Strategic Growth Council provisions; Cap-and-Trade amendments; Post-2020 Target Scoping Plan update efforts; Resources Agency Safeguarding California efforts; Sustainable Freight Transportation, to name a few.

While federal courts have stayed implementation of U.S. EPA's Clean Power Plan (CPP), CCPC understands that ARB plans to continue with California's CPP compliance planning process. We will continue to collaborate with the Board and staff to address relevant issues with regard to that process. However, we believe it is extremely important for ARB to focus on near-term climate change policy issues that are currently in place, including:

- Leakage studies affecting multiple sectors of the economy;
- Robust economic analyses that account for potentially duplicative or conflicting policies;
- Reliable estimates of GHG reduction regulations and projects; and,
- Accountability in assessing the cost per GHG reduction to determine the relative impact of each policy.

With that said here are CCPC's initial comments on the potential amendments to mandatory reporting and cap-and-trade regulations for alignment with the CPP include:

#### **MANDATORY REPORTING AND CAP-AND-TRADE REGULATION ALIGNMENT**

- **Including California's cap-and-trade program in the submission of the**

**CPP is not necessary.** ARB has indicated California's cap-and-trade program will be the keystone to comply with the Clean Power Plan (CPP). We concur with other stakeholders that taken together California's 50% Renewable Portfolio Standard and more than \$1 billion in energy efficiency upgrades will be sufficient to meet CPP requirements. Thus, the inclusion of California's cap-and-trade program is not necessary.

- **CPP Backstop will increase the overall program costs.** While CARB believes the CPP backstop will not be triggered, the removal of 10 million allowances from the market will negatively affect the cap-and-trade market and risk price increases that impact consumers and industry. Making the program more expensive for every sector and ultimately California consumers fails to meet AB 32 objectives.
- **ARB should not cede its authority of the cap-and-trade program to the Environmental Protection Agency (EPA).** Should ARB include California's cap-and-trade program as a compliance measure for the CPP, it is critical that the submitted plan to the EPA does not include federally enforceable provisions or restrictions on any participating cap-and-trade facilities. Minimizing program costs and flexibility is critical to maintaining a cap-and-trade program that reduces greenhouse gas (GHG) emissions that other states and nations will want to participate in. Should California cede its authority an additional obstacle will be placed on the regulated entities requiring that any program modifications deemed necessary would then also be subject to a federal review process.
- **The intent of the CPP is to regulate GHG emissions from the electricity sector.** Harmonization needs to occur between the ARB and EPA's final rule which intends exempt industrial CHP sources from the EGU definition.
- **The stay of the CPP issued by the Supreme Court** of the CPP affords California legislators and regulatory agencies time to take a deliberate, well thought out, and economically balanced approach to further

statewide climate policies as the nation and other countries assess the pros and cons of the various climate change policy suites they are considering.

## **GHG MRR SECTION**

- **Verification deadline adjustment**
  - While rolling back the compliance filing deadline supports the cap-and-trade regulation allocation and compliance for ARB staff it places a significant burden on the regulated stakeholders who must comply or face penalties.
  - Some industries, like food processors, would find themselves attempting to meet the filing deadline in the midst of prime harvesting season.
  - Rolling back the filing deadline in order to facilitate staff work on allocation numbers imposes an additional burden on regulated entities, ARB should offer those companies choosing to file early an incentive. For example, allowance allocations revealed to complying entities so they have the information they need for future program planning.

Currently California continues to exceed Federal requirements. We are a leader in its energy and climate change policies. California's continued role should be to stay the course of our already rigorous standards and regulations without placing additional undue burdens on consumers and businesses of the state. Trying to overreach in Federal compliance efforts or ceding our legal authority with regard to current California programs that already support compliance may create unintended negative consequences for California's elected officials, regulators, businesses and consumers.

Should you have any questions or need anything further from us, please feel free to contact Shelly Sullivan at (916) 858-8686.