



October 15, 2013

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

RE: CE2 Carbon Capital Support for the Adoption of the Mine Methane Capture Protocol in the 2013 Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms

Dear Madam Chair,

Thank you for the opportunity to comment in support of ARB's adoption of the Mine Methane Capture Protocol (MMC) as an amendment to ARB's current Cap-and-Trade Program to be heard at your October 25th Board meeting. CE2 Carbon Capital, a company which finances and develops carbon emissions reduction projects, supports the addition of new compliance offset protocols that provide real, additional, verifiable greenhouse gas reductions for California's businesses and consumers to manage their costs to comply with the Cap-and-Trade Program.

Coal plays a major role in California, the United States, and globally. Approving the MMC protocol begins to address the 70 million tons of CO₂e emissions released into the atmosphere in the United States each year by the coal mining industry. According to the EPA, coal burning electricity generators represented the largest part of our national electricity supply – accounting for 95% of all coal consumed for energy in 2011. Worldwide, coal represents nearly 30% of global energy use and is responsible for over 40% of global CO₂ emissions. ARB's MMC protocol incentivizes the reduction of GHG emissions resulting from coal mining activities in the United States, which are unregulated by the EPA.

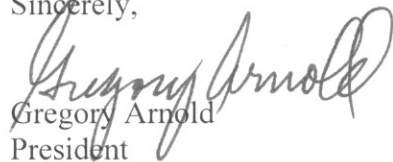
The MMC protocol can provide a significant supply of offsets to California's Cap-and-Trade market. A recent study conducted by Ruby Canyon Engineering estimates that MMC offset projects have the potential to provide over 28 million tons of carbon offset reductions. This represents a significant influx of offset supply to California's Cap-and-Trade Program at a time when more offsets are needed to meet future demand. Based on data from the ARB approved Early Action Offset Programs, there would be an additional 2 million tons of early action offsets that could transition to the ARB program in 2014, in time to add immediate supply in the First Compliance Period.

Carbon offset credits do not create an incentive for additional coal mining across the United States. Currently, it is easier and cheaper to vent mine methane into the atmosphere than collect and use it for power generation or pipeline injection. As a result, methane continues to be emitted in over 24 U.S. states. Offset credits provide a very small, but important, financial incentive to encourage coal mine owners and operators to capture and utilize mine methane, which is an otherwise uneconomic and expensive endeavor.

California can and should accept MMC offsets into its ARB Cap-and-Trade Program. While we have begun to discourage coal use and emissions within California, the state can play a role in influencing appropriate policy outside of our state borders. We also need to ensure sufficient offsets exist to limit the costs of compliance with the Cap-and-Trade Program for the sake of California's businesses and consumers. As was voted for overwhelmingly by the California Congressional delegation as part of the Waxman Markey legislation and supported by major environmental groups, allowing MMC offsets into the program can help further both important goals.

Thank you for the opportunity to provide our comments and support for the MMC protocol. We commend the work of staff on this effort and look forward to supporting ARB's future efforts to reduce GHG emissions.

Sincerely,



Gregory Arnold
President

cc:

Daniel Sperling
Phil Serna
John Eisenhut
Mrs. Barbara Riordan
John R. Balmes, M.D.
Hector De La Torre
Sandra Berg
Ron Roberts
Alexander Sherriffs, M.D.
John Gioia
Judy Mitchell
Richard Corey
Virgil Welch
Edie Chang
Steve Cliff
Rajinder Sahota