October 24, 2022

California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Ceres Support for an Ambitious 2022 Climate Change Scoping Plan Update

Dear Chair Randolph and Air Resources Board members,

On behalf of Ceres, I appreciate the opportunity to provide public comments on the 2022 Climate Change Scoping Plan Update. We recognize and appreciate all the time and expertise that the CARB board and staff have invested in this process. Thank you for your leadership in developing and implementing critical climate and clean air policies for California.

For more than 30 years, Ceres has leveraged the power of influential investors, Fortune 500 companies, and thought leaders to tackle a wide range of sustainability challenges. As a part of our work, we run the BICEP (Business for Innovative Climate and Energy Policy) Network — a coalition of more than 80 major businesses across the United States, many of whom have substantial operations or are headquartered in California.

Businesses support strong climate policies because climate change, water contamination, and air pollution threaten the health and livelihood of the communities in which they operate, and where their customers and employees live and work. They also recognize that these threats disproportionately harm California's residents along racial lines. For these reasons, we stand in strong support of the Governor Newsom's July 22 letter calling for bolder action in the final Scoping Plan. We also want to encourage more ambitious and comprehensive actions beyond the governor's recommendations.

Along with 15 major companies and institutions, we urge you to consider four recommendations for the 2022 Climate Change Scoping Plan Update and determining the state's pathway to carbon neutrality. These include:

1. **Prioritize direct emission reductions aligned with cuts of at least 40% by 2030 and 82% to 92% by 2045, in order to meet the state's climate goals.[i]**
2. **Conduct a follow-up stringency rulemaking process for the state's cap-and-trade program to ensure alignment with the state's climate goals and update the program's design to guarantee localized air pollution reductions in overburdened communities.[ii]**
3. **Prioritize decarbonization pathways that maximize health benefits and reduce health burdens as part of driving down emissions, based on a public health equity analysis that accounts for the cumulative social costs and benefits of carbon reductions.[iii]**
4. **Maintain a high level of fidelity to the Air Resources Board's commitments to racial equity, environmental justice, and robust community engagement.[iv]**

We also wish to underscore, here, the comments provided on June 24, 2022 by the California Environmental Justice Alliance (CEJA). CEJA has rigorously scrutinized the draft 2022 Scoping Plan update and identified several areas of concern with CARB's analysis of potential impacts on public health in low-income and disadvantaged communities. We recommend that CARB seriously consider CEJA's comments.

Accomplishing these actions will get California back on track to meet its climate targets, enable the state and businesses to meet environmental justice and racial equity goals, and provide significant public health and economic benefits.

Absent action to prioritize policy pathways that secure direct emission reductions, California and major businesses will not achieve their shared climate goals.

California has set some of the most ambitious climate goals in the country — yielding significant economic benefits. The state achieved its 2020 greenhouse gas (GHG) emissions reduction goal four years early while driving the fastest growing economy in the U.S. Notably, direct emission reduction mechanisms, including policies like the Renewable Portfolio Standard, played a major role in these reductions. Despite these successes, California is at risk of missing its target to reduce greenhouse gas emissions 40% by 2030 and disadvantaged communities are still experiencing high levels of air pollutant emissions.

Businesses are making significant investments to directly reduce their GHG emissions, including through renewable energy investments and zero-emission vehicles.[v] Clean alternatives make economic sense – these technologies are proven and are already cost-effective. Companies and institutions are also investing in emission reduction strategies because they expect a return: ignoring the risks they face would be very costly, while finding the path towards a net zero future offers them economic stability and growth. However, the state and all major economic actors need to do the same to ensure that California's economy and communities realize the benefits of immediate action.

California already has the policy tools to increase the Scoping Plan's ambition and drive down emissions. This includes policies that CARB has played a critical role in developing, including the Low Carbon Fuel Standard, the Advanced Clean Trucks regulation, and the recently adopted Advanced Clean Cars II standard. Direct emission reductions also provide better protections and health outcomes for environmentally overburdened communities, including but not limited to communities of color.

Increased cap-and-trade program stringency is necessary to ensure alignment with the state's climate goals and guarantee air pollution reductions in overburdened communities.

California's cap-and-trade program is a nation-leading policy and serves as an important backstop for the state's emission reduction goals. Cap-and-trade projects have also attracted close to $28 billion in investments, mitigated air pollution, and reduced energy, transportation, and health costs for businesses and consumers. However, recent research has demonstrated that regulated entities have amassed enough allowances to avoid direct emission reductions until 2030. At the same time, emissions from the fossil fuel industry have continued to rise, even as total statewide emissions have gone down. Several recent studies have also examined whether the cap-and-trade program has increased or decreased pollution in nearby overburdened communities.[vi] Overall, this research is still evolving, but there is a clear consensus that the program was not designed to drive local pollution reductions, even though more than half of entities covered by California's cap-and-trade program are in or within a half mile of an overburdened community.

While Ceres and the BICEP Network have previously supported California's cap-and-trade program for emission reductions, and continues to do so, the urgency of the current climate crisis and the need to more substantially protect and respond to the needs of environmentally overburdened communities compels us to

strongly recommend greater stringency and an updated program design. The current emissions cap construction and lack of local pollution limits are weakening the program's effectiveness and undermining progress toward the state's climate and environmental justice goals. To ensure its role as a backstop, the program's emissions cap and allowance budget must be correctly calibrated in alignment with the state's emission reduction mandates. We recognize that the Scoping Plan is not the appropriate venue for these adjustments and urge CARB to include an intention in the final plan to conduct a formal stringency rulemaking proceeding as soon as possible. We also strongly encourage CARB to carefully consider EJAC's recommendations for the cap-and-trade program, including "no trade zones" as an updated program design tactic to reduce air pollution in overburdened communities. Parallel investments in direct emission reductions will also create the critical benefit of direct co-pollutant reductions.

Prioritizing emission reduction strategies that maximize health benefits will improve public health and reduce health costs in California communities.

Almost all Californians are exposed to unhealthy air pollution that threatens lung and respiratory health. However, the burden of GHG and air pollutants is disproportionately borne by disadvantaged communities. A robust public health equity analysis that compares strategies to maximize health benefits as part of emission reductions, paired with prioritizing direct emission reduction policy solutions and increased cap-and trade stringency will be critical for improving public health, addressing racial inequities, and preventing further economic strain. Of course, any policy pathways and cap-and-trade program reforms should still maintain significant and targeted investments for mitigating health impacts and improving resilience in low-income and communities of color. By reducing instances of respiratory disease and other illnesses, missed days of work, and hospitalizations, these improvements will lead to more disposable income for individuals and families and help reduce the financial pressure on our already COVID-burdened healthcare system.

California can uphold its long history as a climate leader. The rest of the U.S. looks to the state as a model for climate action and will follow its lead. Given the immediacy of the climate crisis and public health benefits of bold action, we urge CARB to strengthen the final 2022 Scoping Plan Update via our four recommendations in order to ensure a just and equitable, net-zero emissions future.

Thank you for your consideration.

Sincerely,

Alli Gold Roberts
Senior Director, State Policy Program
Ceres

[i] The 82% to 92% range reflects the carbon neutrality scenarios explored by Energy and Environmental Economics in their October 2020 report, "Achieving Carbon Neutrality in California: PATHWAYS Scenarios Developed for the California Air Resources Board." https://ww2.arb.ca.gov/sites/default/files/2020-10/e3_cn_final_report_oct2020_0.pdf.

[ii] This recommendation echoes comments already made by the Environmental Justice Advisory Committee (EJAC) and Environmental Defense Fund.

[iii] This recommendation also aligns with EJAC's earlier recommendations, as well as comments made by the California Environmental Justice Alliance (CEJA).

[iv] State of California Air Resources Board, "A Commitment to Racial Equity and Social Justice: Resolution 20-33" October 22, 2020, https://ww2.arb.ca.gov/sites/default/files/barcu/board/res/2020/res20-33.pdf.

[v] Nearly half of all Fortune 500 companies have set goals to reduce GHG emissions, procure renewable energy, and invest in energy efficiency, see: https://www.ceres.org/resources/reports/power-forward-3.; More than 280 companies have made a commitment to go 100% renewable, see RE 100 companies: http://there100.org/companies; and more than 1,000 companies globally, including over 200 headquartered here in the US, are or have set comprehensive science-based targets for greenhouse gas emissions reductions, see: https://sciencebasedtargets.org/companies-taking-action/.

[vi] See, Pastor, Manuel, et. al., "Up in the Air: Revisiting Equity Dimensions of California's Cap and Trade System," USC Dornsife Equity Research Institute, Feb. 2022. Available at: https://dornsife.usc.edu/eri/up-in-the-air/ See also, Hernandez-Cortes, Danae and Meng, Kyle C., "The Importance of Causality and Pollution Dispersal in Quantifying Pollution Disparity Consequences: Reply to Pastor et al. (2022)" April 2022. Available at: https://hernandezcortes.github.io/assets/pdf/HCM_response_capandtrade.pdf. The scholarship assessing the effectiveness and equity of cap-and-trade both in California and elsewhere is both important and evolving rapidly. Nonetheless, as Hernandez-Cortes and Meng observe, despite some of their positive findings regarding California's cap-and-trade system, "Market-based policies should not be used explicitly to address environmental justice concerns. Market-based policies are intended for allocative efficiency and not distributional objects, per se. In some settings an environmental market could widen pollution disparities. As a safeguard, policies that specifically address environmental justice concerns should be considered in tandem with market-based policies. In short, environmental justice problems need environmental justice policies," (p. 3).