November 4, 2016

COMMENTS ON CALIFORNIA AIR RESOURCES BOARD’S CAP-AND-TRADE REGULATION AMENDMENTS WORKSHOP

Thank you for the opportunity to comment on the California Air Resources Board’s (ARB) Cap and Trade Regulation Amendments Workshop held on October 21, 2016.

The Climate Trust’s comments focus on ARB’s proposal to consider lowering the offset usage limit after 2020. The Climate Trust commends ARB for conducting a model exercise to determine the impacts of changing the offset usage limit on the cap and trade program. However, we urge ARB to also consider modelling scenarios with a higher offset usage limit, as raising this ceil could have beneficial impacts for the program. Greenhouse gas emissions have a uniform affect across the globe. Therefore, encouraging the use of offsets will have the benefit of mitigating the risks California faces from climate change.

The Climate Trust is opposed to reducing this limit for the following two reasons.

1. **Cost Increases**

The principal reason we advise against lowering the offset ceiling is that it will unnecessarily increase the cost of compliance, which in turn will increase energy costs. Such costs will be disproportionally borne by low-income communities in California. Maintaining the current offset limit or increasing it will enhance the moderating effect offsets have on market prices.

1. **Expanding the adoption of policies to fight climate change**

While California has taken a leadership position in implementing a comprehensive cap and trade program, it cannot solve climate change on its own. It can be a challenge for other jurisdictions to adopt such programs, but one way in which jurisdictions outside of California without carbon pricing mechanisms can gain exposure to them is through participation in the offset market. To this end, maintaining the 8% limit and enabling robust participation throughout the country offers an entry point for jurisdictions to consider cap and trade programs. This, in turn, can promote market linkages and aid in expanding cap and trade programs beyond California, which will aid it in its effort to reduce greenhouse gas emissions.

The Climate Trust appreciates the opportunity to provide ARB feedback on the proposed amendments and the future of its cap and trade program. If you have questions or require more information, please contact Sheldon Zakreski, Director of Carbon Compliance at szakreski@climatetrust.org.