August 5, 2013

Comments of the Independent Energy Producers Association to the California Air Resources Board 2013 Update to the AB 32 Scoping Plan

The Independent Energy Producers Association (IEP) appreciates the opportunity to comment on the 2013 Update to the AB 32 Scoping Plan. IEP's comments are in response to the workshops during the June/July 2013 timeframe.

Assembly Bill 32 requires the state board to "update its plan for achieving the maximum technologically feasible and cost-effective reductions of greenhouse gas emissions at least once every five years."[1] Accordingly, achieving technologically feasible and cost-effective reductions of greenhouse gas emissions should be the guiding principle for CARB's Update of the AB32 Scoping Plan.

CARB Must Evaluate the Progress to Date in Reducing Greenhouse Gas Emissions in Order to Assess Future Goals. In updating the Scoping Plan it is important for CARB to evaluate what is or is not working in terms of reaching California's GHG reduction goals. During the kickoff meeting in June 2013, CARB indicated that it will not look back to evaluate each of the individual measure contributions since 2008. Rather CARB will be looking at whether we are on track to meet the 2020 target, in addition to what is needed in the future to advance our 2050 goals.

While IEP supports a status report in terms of the 2020 goal, it will be important for CARB to complete a measure by measure, sector by sector comprehensive evaluation to define which measures/sectors have or have not achieved the goals that were originally established in the 2008 Scoping Plan. To the extent that certain measures and or sectors have achieved more or less emission reductions than originally envisioned, that will be helpful to know in establishing future contributions.

IEP is concerned that it will be very difficult to accurately evaluate future goals if CARB does not have a good idea where the greenhouse gas emission reductions are originating from now. Furthermore, achieving "technologically feasible and cost-effective reductions" will not occur if we do not know what is working. Certainly, to the extent that any of the particular measures/sectors have not met the goals identified in the 2008 Scoping Plan according to this analysis, there should not be any punitive action. Rather, IEP envisions a comprehensive evaluation of our progress to date to inform future reduction opportunities.

One Sector Should Not Bear a Disproportionate Burden for Reducing Greenhouse Gas Emissions. CARB identified the electric sector as an integral part of the post 2020 strategy. IEP agrees that the electric sector has played an important role in substantially reducing greenhouse

[1] Assembly Bill 32, Chapter 488, Statutes of 2006, Section 38561(h).

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gas emissions thus far. On a going forward basis, IEP wants to ensure that other sectors are contributing to their fair share of the overall emission reduction goals as well. One, or a few sectors should not bear a disproportionate burden of the state's GHG emission reduction goals in comparison to the emissions they contribute. Accordingly, an analysis that evaluates which sectors have achieved the goals set out for them in the original Scoping Plan will help account for where additional reductions could be gained in the longer term.

Meaningful Reductions and Efficiency Improvements Will Result from the Cap-and-Trade Program. As noted in CARB's Initial Statement of Reasons, "California's cap and trade program is purposely designed to leverage the power of the market in pursuit of an environmental goal. It opens the door for major investment in emissions-reducing technologies, and sends a clear economic signal that these investments will be rewarded."[2]

During the kickoff workshop on the AB 32 Scoping Plan Update, there was some discussion that the Update to the Scoping Plan should focus on policies that will shift California away from conventional generation sources towards zero emitting load balancing technologies. From IEP's perspective, this mechanism is inherent to the design of the cap and trade program and should not be required through additional targeted or mandatory measures.

As the cap continues to decline, allowances will become scarcer, making inefficient units more expensive and cleaner units more attractive. Individual generating facilities will have a continuous incentive to reduce their emissions in order to reduce their compliance costs under the cap-and-trade program, which is designed to send a price signal to producers and consumers about the energy and services that they provide or use and allows covered entities the flexibility to seek out and implement the lowest cost options to reduce their emissions.[3]

Because every obligated entity will have to surrender one allowance for every metric ton of carbon it emits, all generators that face a compliance obligation will be seeking low-cost efficiency improvements that will reduce the added costs associated with their cap-and-trade compliance obligation. Fundamentally, the cap-and-trade program gives regulated sources an incentive to pursue efficiency improvements on their own, rather than implementing a source-by-source mandate. Effectively, the cap and trade program will allow entities to meet an environmental goal in the most cost effective and technologically feasible fashion, as envisioned by AB 32. Furthermore, the cap and trade program will spur innovation in new technologies because by definition the cap and trade program seeks the least cost, most efficient resource. As allowance prices increase, so will the demand for low-emitting GHG technologies that might have previously been considered too expensive.

Accordingly, CARB should recognize that the mechanisms for achieving our emission reduction goals are already in place and the Update to the AB 32 Scoping Plan should steer away from imposing any additional unnecessary mandatory measures on the electric sector.

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[2] CARB Staff Report: Initial Statement of Reasons for Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms to Allow for the Use of Compliance Instruments Issued by Linked Jurisdictions; Date of Release: May 9, 2012, page 8
[3] CARB's Climate Change Scoping Plan Appendices, Volume I, December 2008, page C-11

IEP appreciates the opportunity to comment on CARB’s 2013 Update to the AB 32 Scoping Plan.

Respectfully Submitted,

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