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November 21, 2016

Rajinder Sahota
California Air Resources Board
1001 I Street
Sacramento, CA 95184

Re: Comments of the Natural Resources Defense Council (NRDC) on the November 7, 2016 Scoping Plan Workshop

Dear Ms. Sahota:

On behalf of the Natural Resources Defense Council, and our more than 72,000 members in California, we appreciate the opportunity to provide brief comments on the composition of the proposed Scoping Plan policy scenarios presented at the November 7th public workshop and November 17th Board hearing. We will provide more detailed comments following the release of the ‘pre-draft’ Scoping Plan later this month.

I. NRDC Supports The Architecture Of The Draft Scoping Plan Scenario

We support the Draft Scoping Plan scenario, which would continue and enhance California’s robust suite of performance-based standards backed up by an enforceable and declining economy-wide cap on emissions. In particular, we support the newly proposed refinery energy efficiency measure, which staff projects could achieve on the order of 40 MMT in cumulative reductions by 2030. While we await further details on the measure’s projected costs and co-benefits, this is in line with previous analyses of the untapped reduction potential among California’s refiners.¹ Likewise, the proposal responds appropriately to the requirements and vision behind AB 197, which directs ARB to prioritize reduction strategies that protect the state’s most impacted and disadvantaged communities by resulting in direct emission reductions at large stationary sources. Refineries are the largest stationary sources of both greenhouse gases and traditional air pollution in California, and are overwhelmingly sited in disadvantaged communities. We strongly support ARB moving forward to require onsite upgrades that will drive both GHG and co-pollutant reductions at these facilities.

¹ See Tetra Tech, Inc. “Carbon Reduction Opportunities in the California Petroleum Industry,” Oct. 2013, available at: <https://www.nrdc.org/sites/default/files/california-petroleum-carbon-reduction-IB.pdf>.

II. NRDC Recommends ARB Include Additional Direct Measures In The Draft Scoping Plan Scenario For Sectors Where Carbon Pricing Alone Is Unlikely To Overcome Market And Regulatory Barriers, Such As Decarbonizing Buildings

The emissions from combusting fossil fuels in buildings is already on par with the emissions from all in-state electricity generation and will grow in relative prominence as we “clean up” other areas, such as our electricity supply. Unlike the electric sector, however, which is governed by the RPS, fuels burned in buildings currently lack a coherent policy framework to ensure that emissions decline over time. We accordingly strongly support the new policy category “electrification of buildings” reflected in Alternative 1, but recommend that coordinated actions in this area be included in the Draft Scoping Plan scenario as well.

Although natural gas emissions are under the cap, it is unlikely that carbon pricing alone (of any stripe) will substantially influence the adoption of new efficient electric technology or sustainably-sourced renewable gas between now and 2030. While efficient electric technology for space and water heating is commercially available, there is a need for market transformation efforts – like the ductless heat pump initiative the Northwest has been implementing for many years² – to make the technology affordable and widely-available in most parts of California. For example, most contractors do not stock heat pump equipment and in some places the price points for this equipment is still too high. The structure of electric rates may inhibit technology adoption, similar to the challenges faced by electric vehicles. In addition, the state’s building codes do not encourage clean electric technologies and outdated rules at the Public Utilities Commission severely limit utility fuel switching programs to transition from natural gas to highly efficient electric technologies.

Due to all of these barriers, a relatively small change in fuel prices that will result from cap-and-trade or a carbon tax will not be enough to motivate the pace and scale of reductions required in buildings to stay within the state’s long-term carbon budget. It is important that ARB acknowledge these limitations and highlight the need and opportunity for targeted action in the Scoping Plan under every scenario. As the Concept Paper recognizes, policies like building decarbonization that will be needed for the long-term need to get started now for California to chart a successful path to 2050.³

Sincerely,



Alex Jackson
Legal Director, California Climate Project
NRDC



Merrian Borgeson
Senior Scientist
NRDC

² See, e.g., NEEA, “Northwest Ductless Heat Pump Initiative: Market Progress Evaluation Report #5,” July 2016, available at: <http://neea.org/docs/default-source/reports/northwest-ductless-heat-pump-initiative-market-progress-evaluation-report-5.pdf?sfvrsn=8>. And see generally: <http://neea.org/initiatives/residential/ductless-heat-pumps>.

³ ARB, “2030 Target Scoping Plan Update Concept Paper,” June 2016, at 13, available at: https://www.arb.ca.gov/cc/scopingplan/document/2030_sp_concept_paper2016.pdf.