



May 3, 2022

Ms. Rajinder Sahota
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Subject: Comments on the 2022 Scoping Plan Update – Initial Air Quality & Health Impacts and Economic Analyses Results Workshop

Dear Ms. Sahota:

The undersigned organizations appreciate this opportunity to comment on the California Air Resources Board's (CARB) April 20, 2022, public workshop relating to the Initial Air Quality & Health Impacts and Economic Analyses Results of the 2022 Scoping Plan Update. Our coalition consists of organizations that represent California's manufacturing, commercial, industrial, agricultural, transportation, materials, and energy sectors. The coalition is committed to working with CARB, other state regulatory agencies and interested stakeholders to implement cost-effective, feasible policies and regulations that protect California jobs and the economy while also working to meet the state's emissions and carbon neutrality goals.

The continued success of California's emission reduction strategies, our prominence as an international leader in climate policy, and our position in the global economy, is a delicate balance. The state's economy is being shaped by our climate policy-- as such, California businesses must factor California climate policy into their multi-year and multi-decade planning efforts. Clear market signals and a predictable and stable regulatory environment—one not prone to routinely shifting compliance targets—is critical for industry to sustain steady progress toward carbon neutrality while protecting competitiveness, profitability, and the livelihood of our employees. In this vein, it is imperative that CARB provide opportunities for further deliberation amongst all interested stakeholders. First and foremost, please disclose the underlying model assumptions and data inputs at the earliest opportunity so that stakeholders have sufficient time to evaluate the marginal costs of the identified alternatives.

As we opined in our previous comment letter, marginal costs are a critical determinant of feasibility. Across all identified scoping plan alternatives there are significant challenges associated with energy reliability, cost containment, matters of equity and varying degrees of reliance on technologies that are still in the very early stages of research and development. While we appreciate the information presented in the most recent workshop, and the determination of infeasibility for both 2035 alternatives, our coalition remains deeply concerned about the presumed feasibility of the two remaining 2045 scenarios, particularly related to the job losses and slowing economic growth modeled for those scenarios.

Scoping Plan Alternatives and Economic Feasibility

Our coalition appreciates the elimination of both 2035 alternatives. These alternatives represented implausible pathways that maximized emission leakage, eliminated California jobs, threatened in-state economic stability, and would have led to a net increase in global GHG emissions. These alternatives were also the most likely to discourage international cooperation, and thus diminish California's impact on global climate policy and emissions reductions.

Under the 2035 alternatives, essential California industries such as food, stone, glass, cement, biofuels, oil and gas extraction, petroleum refining and carbon dioxide removal would have been decimated or completely eliminated. The 2035 alternatives relied upon full or near-full electrification, and in so doing ignored the raw materials required to facilitate a sustainable transition to net-zero carbon emissions, and the concerns of energy reliability during a time of unprecedented energy demand and more frequent supply interruptions. Given the unprecedented build out of new zero-carbon energy resources needed to meet 2045 carbon neutrality targets, 2035 ambitions have been logistically infeasible from the onset of this process. Barring a monumental effort to reform the environmental review and permitting process for green energy and associated transmission projects—not to mention a tidal shift in local attitudes toward the siting of such projects—the state will be hard pressed to meet 2045 timeframes, much less targets set for a decade earlier.

The vision of a low-carbon California economy, and the technologies needed to achieve it, require products of industry. The component parts of a net zero-energy system, such as transportation infrastructure, zero-emission vehicles, renewable power generation, transmission and storage infrastructure, carbon capture and sequestration infrastructure, and CO₂ or hydrogen pipelines will consume large amounts of steel, cement, glass, and plastic. Ironically, the very industries some stakeholders seek to eliminate within California are the very keys to a low-carbon California economy.

Staff Preferred/Proposed Scoping Plan Alternative

It was not surprising that the preferred Scoping Plan scenario chosen by CARB staff was Alternative 3. While California is undoubtedly the global leader in setting ambitious goals to combat climate change, the request that CARB evaluate pathways to carbon neutrality by 2035 - nearly a decade sooner than Governor Brown's Executive Order - was unfortunate because it became a rate limiting factor in evaluating a reasonable range of cost-effective alternatives. From the beginning of this process, the undersigned businesses and organizations have called for use of an optimized model to identify the least regret pathways to achieve carbon neutrality. Instead, CARB and the administration imposed arbitrary constraints on the process, leaving stakeholders with only two alternatives to inform the 2022 Scoping Plan Update. That is not a sufficient foundation for this Update, given the impact it will have on future legislative and regulatory actions, and the many significant challenges California will face in the future because of those actions.

While Carbon Neutrality by 2035 was a great headline, it was not practical and ignored the reality of the challenges that must be met to achieve the goal. It is time that the process and discussions evolve from the abstract and hypothetical to more actionable and probable scenarios. CARB's modeling supports two important conclusions: 1) there are major potential improvements in air quality and public health outcomes for every scenario modeled and 2) there are major differences among the scenarios in terms of their potential economic impacts.

The Rhodium economic analyses of PATHWAYS confirms that scenarios 1 and 2 are infeasible. That said, too many resources continue to be spent on addressing or modeling the infeasible. If we are indeed in a climate crisis, CARB should not be forced to expend time and effort on proposals that are, on their face, unworkable or unrealistic. In order to facilitate the development of the remaining scenarios, the underlying data and assumptions supporting Alternatives 3 and 4 should be released immediately.

Additionally, the total number of jobs lost in each modeled scenario also must be displayed more clearly and decoupled from economic growth projections so these impacts can be understood by decision makers and the general public. Further, modelers must include data

showing how the anticipated changes in the state economy will affect worker salaries and take-home pay as many jobs in the green energy economy pay substantially less than the jobs they are expected to displace in the industrial, manufacturing, and energy sectors. These additional disclosures will contribute to more effective stakeholder engagement in an iterative process to develop a sustainable path to carbon neutrality.

Finally, Alternative 3 must be optimized. The economic analyses only consider energy costs. Yet, capital costs, which will be critical to achieving carbon neutrality, are not addressed. Though more measured in its approach, Alternative 3 still represents a very significant challenge for California, and only appears less challenging when compared to others that were never feasible. It is also unfortunate that Alternative 4, the so-called “business/industry alternative” was so branded and readily dismissed. California business and industry was never presented with the opportunity to propose their own alternative, nor did it ever formally or informally endorse Alternative 4. Given the noted limitations and lack of a more robust comparison of additional cost-optimized 2045 alternatives, California industry has very little confidence in either Alternative 3 or Alternative 4.

Conclusion

The undersigned organizations consider the 2022 Scoping Plan Update process and associated modeling as important opportunities to meet state climate goals, export state values across the globe, and preserve California’s economic engine. Unfortunately, under a non-optimized modeling process focused on two arbitrarily defined alternatives with no access to underlying data and assumptions or complete evaluation of economic impacts, it is nearly impossible to provide substantive comments to inform the 2022 Scoping Plan.

To chart a path of least regret - one that achieves carbon neutrality targets with the least possible economic fallout and the least possible emissions leakage - CARB must make the process and underlying information more transparent and accessible to stakeholders. California industry has proven itself to be a willing partner in the state’s climate efforts, but to find a win-win solution that simultaneously promotes climate stewardship, equity, jobs, and a healthy economy, significant changes in modeling inputs and process will be required.

Thank you for your consideration of our comments. We look forward to further opportunities to engage with you, CARB staff, and other interested stakeholders as the 2022 Scoping Plan continues to unfold.

Respectfully,

CALIFORNIA MANUFACTURERS & TECHNOLOGY ASSOCIATION

AGRICULTURAL COUNCIL OF CALIFORNIA

AMERICAN PISTACHIO GROWERS

ASSOCIATION OF MANUFACTURERS BAY AREA

BETTS COMPANY

CALIFORNIA ASSOCIATION OF WINEGRAPE GROWERS

CALIFORNIA BUSINESS ROUNDTABLE

CALIFORNIA CHAMBER OF COMMERCE

CALIFORNIA CITRUS MUTUAL

CALIFORNIA CONSTRUCTION AND INDUSTRIAL MATERIALS ASSOCIATION

CALIFORNIA FARM BUREAU

CALIFORNIA FOOD PRODUCERS
CALIFORNIA FRESH FRUIT ASSOCIATION
CALIFORNIA RESTAURANT ASSOCIATION
CALIFORNIA NATURAL GAS VEHICLE COALITION
CALIFORNIANS FOR AFFORDABLE AND RELIABLE ENERGY
CENTRAL CALIFORNIA ECONOMIC DEVELOPMENT CORPORATION
COUNCIL OF BUSINESS & INDUSTRIES OF WEST CONTRA COSTA COUNTY
FARWEST EQUIPMENT DEALERS ASSOCIATION
INDUSTRY BUSINESS COUNCIL
INDUSTRIAL ENVIRONMENTAL ASSOCIATION
SAN JOAQUIN VALLEY MANUFACTURING ALLIANCE
WESTERN GROWERS ASSOCIATION