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Established in 1978 by
 David Packard

October 22, 2018

Honorable Mary Nichols, Chairman
 California Air Resources Board
 1001 I Street
 Sacramento, CA 95812

Re: Comments on the Proposed Amendments to the California Cap and Trade Program

Dear Chair Nichols,

The Silicon Valley Leadership Group would foremost like to thank you and the members of the California Air Resources Board for your leadership and continued support on California's cap-and-trade (C&T) program. While California's C&T program is one of the premier emissions reduction programs in the country, we would like to provide comments regarding the future of the program. Our primary concerns lie in ensuring the continued stability of the allowance market, while maintaining, if not improving, public support of the program.

Founded in 1978 by David Packard of Hewlett Packard, The Silicon Valley Leadership Group represents over 360 of Silicon Valley's most respected employers on issues, programs, and campaigns that affect the economic health and quality of life in Silicon Valley, including energy, transportation, education, housing, health care, tax policies, economic vitality and the environment. Leadership Group members collectively provide nearly one in every three private sector jobs in Silicon Valley and have more than \$3 trillion in annual revenue

In particular, we ask that the Air Resources Board take into consideration the following:

- 1. Create an Open and Transparent Market:** We strongly encourage creating a more open and transparent market while maintaining appropriate protections. This includes providing more open and transparent information regarding the total number of allowances in the market, including those that are banked, and for how long, while maintaining protections for market-sensitive entity information.
- 2. High, Politically Viable Price Ceiling:** Setting a price ceiling as high as politically feasible to drive down emissions, ensuring net social benefit, minimizing environmental leakage, and not impeding the work of other jurisdictions. This is especially important in future years, when the cap ratchets down and the complimentary policies have already done the bulk of their work.
- 3. Project Registry:** Creating a registry for greenhouse gas (GHG) reduction projects that qualify as real, permanent, quantifiable, verifiable, enforceable and additional emissions cuts for the purpose of obtaining the ton-for-ton emissions reductions specified in AB 398, if the price ceiling is reached.
- 4. Price Containment Points:** Structure the two (or more) price containment points -- a.k.a. "speed bumps" -- evenly between the price ceiling and price floor, to help minimize volatility, in the case of unexpected price spikes.

Open and Transparent Market

Our primary concern is the issue of transparency, including privately banked, as we are concerned there may be an oversupply of allowances in the market. A lack of transparency can inhibit performance by making it difficult to estimate the total amount of existing allowances.

After speaking to multiple subject matter experts, there is consensus that there appears to be an oversupply in the current market. Allowances left over at the end of auctions indicate some oversupply. This oversupply jeopardizes the ability of the program to help achieve the state's goal, as it negates the effects of lowering emissions if entities can purchase and bank more allowances than is needed. Left unaddressed, this could cause the state to overshoot its 2030 emissions target.

We ask that the CARB consider a system to track and publicly post information about allowances while ensuring the safety of market sensitive information.

Price Ceiling

The price ceiling is also an important issue that deserves consideration. We urge CARB to set the price ceiling as high as politically feasible to maximize environmental and social benefit, while maintaining market stability. Setting too low a price ceiling would mean the state will have extreme difficulty in meeting its GHG emission reduction goal. Too high a ceiling could weaken public support.

Project Registry

If California exceeds the ceiling price, AB 398 directs the state to procure ton-for-ton emissions reductions to address the issue. Therefore, we call on the Air Resources Board to create a registry for projects that qualify as real, permanent, quantifiable, verifiable, enforceable and additional emissions cuts for the purpose of obtaining the ton-for-ton emissions reductions. If the state ever hits the emissions cap, this list of pre-approved and audited projects would be waiting. Further, registered C&T offsets should automatically be added to this list.

Price Containment Points

We also ask CARB consider where the price containment points are placed. An evenly placed set of containment points, in between the price floor and ceiling, will help minimize price volatility and any price spikes.

We respectfully ask that the California Air Resources Board take these points into consideration.

We thank you for your attention to this matter and for your leadership. If you have any questions on our position, please do not hesitate to contact me at mmielke@svlg.org or 408-501-7858.

Sincerely,



Mike Mielke
Senior Vice President, Environment & Energy
Silicon Valley Leadership Group