



California Council for Environmental and Economic Balance

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November 21, 2016

Ms. Rajinder Sahota
Branch Chief, Cap-and-Trade Program
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Dear Ms. Sahota:

On behalf of the members of the California Council for Environmental and Economic Balance (CCEEB), we wish to provide you with our comments on the proposed Scoping Plan update. CCEEB is a non-profit, non-partisan association of business, labor, and public leaders, which advances balanced policies for a strong economy and a healthy environment.

California is the world's second least carbon-intensive economy. For every dollar of goods and services, California emits less carbon than any nation except France. Using this statistic, California is twice as efficient as the rest of the United States and seven times more efficient than China. Additionally, the emissions intensity of electricity delivered to Californians is nearly one third the national average.

Overview

With SB 32 (Chapter 249, Statutes of 2016) now law, CCEEB believes that additional emphasis on Cap-and-Trade is necessary to achieve cost-effective emission reductions and to send a clear market signal to facility operations, projects, and California drivers and consumers. CCEEB supports a well-designed Cap-and-Trade Program as the most economically efficient, transparent, and environmentally effective policy for California to achieve statewide greenhouse gas emission reductions and meet the 2030 goal.

Compliance flexibility allows California businesses to select reduction strategies that best suit their unique needs and evolving circumstances, while delivering real emission reductions more efficiently and at less cost than direct measures. Cap-and-Trade continues to achieve GHG emission reductions while sending a clear and transparent price signal throughout California's economy. This in turn prompts behavioral change that reduces emissions and spurs the investment and commercialization of advanced technologies. Additionally, Cap-and-Trade provides the potential to export the policy to other jurisdictions through linkage or sector-based offsets, providing a real platform for California to realize its goals as a climate leader.

Moreover, climate change cannot be mitigated by California alone. Policies that reduce greenhouse gases in the most economically efficient way serve as valuable examples that encourage other jurisdictions to link to California or emulate the State's approach. Adding extraneous policies, stringency, or complexity that does not enhance the efficacy of the program will discourage rather than encourage other states, provinces, and countries to join the fight against climate change. Given today's economic realities, pursuing high-cost policies that constrain Cap-and-Trade will only further isolate California from potential sub-regional, national, and international partners. Other jurisdictions will not follow costly programs that create additional economic pressures and impede sustainable economic growth. Even worse would be policies that limit or outright bar California from joining in partnerships with other jurisdictions either through linkage or use of offsets. Insular policies may achieve in-state goals but they will not solve global climate change.

ARB, with public input, has spent the last decade developing a strong Cap-and-Trade Program. In light of SB 32's even more ambitious carbon reduction targets, now more than ever, a well-designed Cap-and-Trade Program is needed to help California meet its environmental goals while maintaining a strong economy. We appreciate the work that ARB staff has done to launch Cap-and-Trade; however, we are at a crossroads due to competing political priorities and litigation that could upend the program's success. We urge ARB to keep climate change at the forefront of its policy objectives.

Economics

CCEEB is disappointed with the lack of emphasis on the economics of the pathways moving forward and would like to see more robust emphasis on the financial impacts of these proposals both for the compliance facilities and California households. Carbon policy in many ways is economic policy. It should not be taken lightly as the effects will invariably impact the economic outcome of the state, jobs, and quality of life for all Californians. Statements about leakage, what percentage of economic loss is acceptable, and which sectors will carry the burden should not be taken lightly. Recent workshops revealed that it is unclear to staff and the public what sacrifices are deemed politically acceptable to a broad cross-section of Californians.

Furthermore, the 2030 goal requires roughly a doubling in reductions per year. This will create economic drag. Proposing any policy that is not the most economically efficient way to reduce greenhouse gases will hurt Californians who already have some of the highest costs of living and energy costs in the country. It is imperative that ARB retain cost effectiveness as a principle consideration and minimize the economic drag a carbon policy creates in order to maximize technologically feasible reductions while reducing the regressive impacts on low to middle income households and small businesses.

Alternative 3

CCEEB would suggest that, for comparison, ARB analyze an additional alternative. This alternative would be a Cap-and-Trade approach in which complementary measures are only used to make up for market failures and existing mandated policies. All other emission reductions post-2020 would be achieved through the Cap-and-Trade program. Under this scenario, California could set one of the most transparent carbon prices in the world, based on the real cost of carbon reductions, rather than setting an arbitrary number or artificially hiding costs through

extraneous add-on policies. CCEEB's proposed "alternative 3" would help inform the full scope of parameters under consideration by the Board and the Legislature (i.e., mainly Cap-and-Trade, mainly direct measures with Cap-and-Trade as a backstop, and all direct measures with no Cap-and-Trade).

Evaluation and Quantification of Current Programs

There is a need to evaluate the efficacy of current and proposed programs. While continuing to propose alternatives or enhancements to the reference scenario, CCEEB believes the Scoping Plan update should:

- 1) Inventory current emissions in relation to the 2020 goal;
- 2) Evaluate the emission reductions and cost effectiveness of adopted AB 32 measures;
- 3) Consider revisions to achieve the 2020 goal in the most cost-effective manner, if opportunities for improvement are identified; and
- 4) Quantify the expected reductions from already adopted and statutorily mandated programs.

CCEEB requests that the draft Scoping Plan include an easy-to-read table that allows stakeholders to compare the projected GHG reductions and costs of each proposed measure.

2008 Scoping Plan			2013 Scoping Plan		2016/17 Scoping Plan	
Measure	Projected GHG Reductions by 2020	Cost Effectiveness (\$/ton)	Projected GHG Reductions by 2020	Cost Effectiveness (\$/ton)	Projected GHG Reductions by 2020	Cost Effectiveness (\$/ton)

Need Time to Comment on New Elements Presented at the November 17 Board Hearing

Last Thursday, staff presented the board with an update on the revised Scoping Plan development. This presentation contained elements and concepts that had not been discussed at the November 7 workshop. CCEEB reserves the right to provide further questions and comments after we have had an opportunity to analyze these new proposals. One area of potential concern is slide 23. We have some initial questions: how would decreasing allocations based on changes to criteria or toxic emissions work in relation to trade exposure and leakage assistance? Also, how could the elimination of offsets result in greater onsite reductions (other than through production cuts) if there are no cost effective and technologically feasible controls available? And what happens to cost containment efforts in those circumstances? We hope to have further discussions with staff to clarify these new concepts.

Conclusion

In closing, CCEEB believes that there is a great opportunity for California to show global leadership on climate change. However, CCEEB remains concerned that prescriptive mandates will increase costs, limit the benefits, and constrain the potential for broader linkage. In so doing, California would reduce its international standing and impair the ability to further reduce global GHG emissions. CCEEB looks forward to discussing additional alternatives with ARB that could alleviate economic and environmental impacts while enhancing California's ability to reduce GHG emissions in the most economically efficient means possible.

Thank you for your consideration. We look forward to discussing our comments with you at your convenience. Please contact me or Jackson R. Gualco, Kendra Daijogo or Mikhael Skvarla, CCEEB's governmental relations representatives at The Gualco Group, Inc. at (916) 441-1392.

Sincerely,

A handwritten signature in cursive script that reads "Gerald D. Secundy".

GERALD D. SECUNDY
President

cc: Honorable Chair & Members of the Air Resources Board
Mr. Richard Corey
Mr. Jakub Zielkiewicz
Ms. Sara Nichols
Ms. Stephanie Kato
Ms. Emily Wimberger
Mr. Bill Quinn
Ms. Janet Whittick
The Gualco Group, Inc.