CLIMATE CHANGE POLICY COALITION

TO: The Honorable Mary Nichols, Chair
California Air Resources Board

FR: Climate Change Policy Coalition

DATE: July 8, 2016

RE: Climate Change Policy Coalition Comments on the California Air Resources Board Scoping Plan Update Concept Paper

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The Climate Change Policy Coalition [CCPC] is a diverse group representing California's large and small employers, cap-and-trade regulated entities, taxpayer groups, agriculture interests and building and planning experts. We advocate for policies to reach AB 32 greenhouse gas [GHG] emission reduction goals in a cost-effective and technologically feasible manner to protect jobs and the economy.

Our comments are in response to the California Air Resources Board's '2030 Scoping Plan Update Concept Paper' released in June 2016 to meet the July 8, 2016 comment deadline. The initial AB 32 Scoping Plan was intended to be a blueprint for the State to reduce its greenhouse gas emissions to 1990 levels. While crafting the 2030 Target Scoping Plan Update, the California Air Resources Board (ARB) should also review and address current policy corrections needed to improve the implementation of AB 32, rather than moving forward with post-2020 emission reduction efforts.

Legislative approval is required for post-2020 goals below the 1990 emission levels. At this time, according to an opinion from the California Office of Legislative Counsel *(April 2016),* the ARB's statutory authority in this area extends only to maintaining emissions at 1990 levels, with no existing authority to reduce emissions below that level. More specifically, the Legislative Counsel opinion states, “This plain language, in our view, does not authorize the ARB or the Governor to set an emissions limit after 2020 that is lower than the GHG emissions level in 1990.” Furthermore, Legislative Counsel has opined, “Under the plain language of this subdivision, therefore, the cap-and-trade program may not be applied or used beyond December 31, 2020. Thus, we conclude that section 38562, subdivision (c) plainly precludes the application of the cap-and-trade program beyond that date.” Therefore, in order to provide clarity to the program and related markets, the ARB will need to seek legislative authority to move forward in implementing a post-2020 program.

AB 32 requires that the California Air Resources Board approve a Scoping Plan for achieving maximum technologically feasible and cost-effective reductions in greenhouse gases. Stemming from this law is the requirement that post-2020 targets and policies be evaluated to ensure they are technologically achievable in a cost-effective manner. Some suggestions include:

- **Reinstate ETAAC**
  Reinstate the Economic and Technology Advancement Advisory Committee (ETAAC) to advise the Board and staff on investment in and implementation of technological research necessary for reaching 2030 goals;

- **Create An Industrial Advisory Board**

Establish an Industrial Advisory Board so industry and manufacturing can play a more significant role in the state’s efforts to meet its 2030 goal. Partnering with industry in the state’s effort to craft regulations that will promote economic expansion while reducing emissions can help the program succeed. An Industrial Advisory Board is a good step toward ensuring that both economic prosperity and environmental sustainability can be achieved; and,

- **Establish A Dedicated Funding Stream**
  Ensuring that some of the auction funds are dedicated for use solely by obligated entities will result in actual, verifiable emissions reductions benefitting both the facilities and the communities in which they are located – especially if they are disadvantaged.

With that said CCPC has the following comments with regard to the ARB 2030 Scoping Plan Concept Paper:

A robust analysis of the marginal cost and technological feasibility of complying with any proposed post-2020 targets will provide important insights into the appropriate target levels, the best timing for achieving reductions, and what other incentive policies should be embraced to offset higher than acceptable costs. In addition, analysis and specific consequences to economic sectors negatively impacted by emission reduction programs should be specifically outlined and reported in economic and feasibility analyses. Finally, the analysis should include estimates of costs in easily understandable formats, such as cents per gallon, cents per kWh and annual cost per household. Since no such analysis has been done, there is no basis to approve a 2030 Scoping Plan, regardless of whether there is authority to go beyond 2020.

Heightened program review is warranted to protect against unintended impacts to the economy and jobs. Robust and regular oversight and informational hearings must accompany any post-2020 climate policies. We believe ARB should, at a minimum, review each current regulation resulting from AB 32 and determine if, (1) the regulation has accomplished the intended objectives or, (2) if the regulation has failed to achieve its goal and may simply have placed undue burdens on California's businesses and consumers without reducing our GHG emission levels, and (3) if there were a more effective means of achieving the intended reduction

The updated 2030 Scoping Plan needs to be peer reviewed and that analysis should be included as an Appendix to the Scoping Plan. The 2008 Scoping Plan Peer Review document provided valuable feedback when evaluating the ARB's initial Economic Analysis of the Scoping Plan. These nationally recognized experts on environmental and economic issues raised valid points that should be reviewed upon the release of the updated Scoping Plan. Such a review should include analysis of: (1) cost of scoping plan regulations with regard to the potential increase/decrease in price of various consumer goods and services; (2) the impact of increased energy costs that will affect California companies and families; (3) the impact on California's competitiveness; and, (4) the lack of a cost-effectiveness analysis.

A requirement that emission targets sync with similarly stringent commitments by other states and countries. While we appreciate the efforts made by the Administration and the ARB to promote and encourage other states and nations to be more aggressive in their climate change policies, the fact remains there is much to be accomplished on this front. Any emission reductions anticipated beyond 2020 should be analyzed and reported in the context of California's reductions against worldwide carbon emission projections**.**

The possible policy scenarios suggested in the Concept Paper vary widely. Each of the 'high-level' scenarios provided by ARB need careful consideration and review. With that in mind, we provide our initial high-level reactions concepts 1-3.

Concept 1: Economic principles indicate that a scenario which emphasizes a greater reliance on market mechanisms, such as a cap-and-trade program, rather than on command-and-control regulations will be more cost-effective than a scenario that does not.

Concept 2: This concept advocates for on-site facility caps for industrial sources which will violate AB 32 provisions to avoid leakage. As noted by ARB Executive Officer, Richard Corey *(September 2015)* in his letter to the Bay Area Air Quality Management District (BAAQMD), "A local limit on GHG emissions at Bay Area refineries or other facilities subject to the Cap-and-Trade Program could have the following undesirable consequences:

- Failing to reduce statewide GHG emissions,
- Increasing GHG emission outside of local jurisdictions
- Increasing the cost of statewide GHG emission reductions, and,
- Shifting business activity to outside of the local jurisdiction."

Concept 3: This concept demonstrates CCPC's concerns of concepts under consideration that are neither cost-effective nor technologically feasible. Examples of the most infeasible proposals include the notion that the state could achieve adoption of 3.5-4.5 million zero emission and plug-in hybrid light duty electric vehicles by 2030. In addition, the state is already struggling to meet its current Low Carbon Fuel Standard. To increase the CI reduction requirement beyond its current level would also be infeasible. Last, the sustainable freight goals are overly ambitious.

Should you have any questions or need anything further from us, please feel free to contact Shelly Sullivan at (916) 858-8686.

cc: Board Members -- California Air Resources Board
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Richard Corey, ARB Executive Officer
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