



Chemical Industry Council of California

December 16, 2015

Scoping Plan Staff
California Air Resources Board
Transmitted via email

RE: DISCUSSION DRAFT – 2030 TARGET SCOPING PLAN UPDATE

On behalf of the Chemical Industry Council of California¹ (CICC), we would like to offer the following comments regarding the above-referenced draft. Our association represents a range of companies concerned with various aspects of chemical manufacturing, distribution and use within California. We appreciate the opportunity to offer our perspective at this juncture, in advance of your efforts to finalize a recommended approach to the 2030 Scoping plan update, and beyond.

The CICC has not engaged in the initial rounds of the AB-32 process. It is clear in the latest draft, however, that with the magnitude of reductions now demanded by 2030, we have reached the point where the economy-wide impacts of this challenge are both visible and unavoidable. In that context, we would like to address what we see as the overarching concerns that should guide your fundamental decision making, as you refine this proposal to a formal recommendation.

Climate Change as an Economic Challenge – It is useful to take a step back, and reflect on the enterprise which has been the focal point of the global effort to curb greenhouse gases, the UN Framework Convention on Climate Change (UNFCCC). That treaty drives virtually all the climate activity by the global family of nations – the activity California is seeking to compliment with its climate effort. The UN Convention is certainly driven by concern with the environmental impacts of greenhouse gas emissions. In that context, though, it is important to note that within the UN structure, the UNFCCC is not an environmental treaty. It does not fall under the purview of the UN Environment Program or its parent forum of global environment ministers, the UN Environmental Assembly. It differs in that regard from the Convention on Biological Diversity, for example, and any number of other “environmental treaties.” Instead, the UN recognizes that dealing with global climate change is above-all-else, an exercise in economic transformation. It is fundamentally restructuring the global economy and the geopolitical power that derives from that. It is at its heart, an economic treaty.

This 2030 scoping plan is demonstrating that California’s program is also fundamentally a challenge in economic restructuring. Unlike the UN, though, California has elected to vest its decision making in a body – your Board – that has historically been focused only on environmental policy. To be sure, it is among the most highly developed regulatory bodies on the planet, but it is an environmental body, and it risks approaching climate change as if it were merely another environmental challenge. It is not.

In the context of the 2030 mandate, your Board must make the most critical economic judgements this state has ever faced. As you address this challenge in preparing them, you must enable that role.

¹ The Chemical Industry Council of California is a voluntary trade association comprised of large and small chemical manufacturers, distributors and allied businesses throughout California representing annual sales in excess of \$3 billion; employing more than 5700 workers with combined annual payroll \$283 million. An additional 11,000 indirect jobs are created by CICC member companies, with a combined annual payroll of some \$360 million.

The critical point here, is that 2030 is not the end-game - it is just the beginning. The most difficult challenge we face is not contriving steps to reduce GHGs, but divining a process to do so and still sustaining the economic integrity of the State. As you are coming to understand, that will not be easy.

The Critical Role of Market Mechanisms – You are under pressure to reduce or eliminate the role of market mechanisms in this plan. It should be a source of alarm for all concerned about effectively addressing climate change, that we will fail to meet even the 2030 target if we eliminate the market options. This points to the critical role they can play in enabling GHG reduction, while at the same time minimizing economic disruption. Clearly the real GHG reduction challenge will be in the years beyond 2030. How can we hobble ourselves in our initial effort to reach even the 2030 target, when what lays beyond will be so much more difficult?

The reality is that we cannot use the climate challenge to solve all the other challenges we face. All stakeholders will have to absorb tradeoffs here. Within industry we recognize that reality. In our view, to do justice to the role California is trying to play in the global climate challenge, the prime directive here must be to find ways to assure that we are consistently channeling our limited capital to the most cost-effective options for achieving any given GHG reduction target. Market mechanisms such as cap & trade, supplemented with liberal use of well-regulated offsets, holds the key to systematically channeling limited resources to the most cost-effective emission reduction options.

The Long-Term Challenge - The magnitude of the long-term task demands that climate action delivers as much GHG reduction for each dollar invested as is possible. Only then will we be doing justice to both the environmental concerns driving our action, and the economic realities confronting the State. Market mechanisms such as cap & trade, combined with a much broader investment in offsets, would incentivize innovation in pursuit of least-cost options. The combination can harness the innovative and entrepreneurial spirit of California's entire economy, in pursuit of our extraordinarily ambitious targets.

What we must all realize and expect, though, is that even then the hardships will be significant and the tradeoffs difficult. But without a single-minded focus on cultivating and capitalizing on the most cost-effective options for reductions, we will not only fail in the quest for our long term targets, but we will seriously undermine our economic future.

These are our conclusions at this point. We commend you for not hiding the challenging realities we face, and urge you to follow-through in that spirit. We cannot afford to be cavalier about the effort required to deliver these reductions. The task before you will be extraordinarily difficult for decades to come. We are not looking forward to the tradeoffs we will have to endure along the way. We are, however, willing to work with you and with all the stakeholder communities, to fashion a path forward that respects the true magnitude of that task and does not further burden it with compromises unrelated to meeting climate goals with minimal economic disruption.

We appreciate the opportunity to comment on this proposal. Please do not hesitate to contact us, should you have any questions or concerns about the above.

Sincerely,



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cc: R. Corey, CARB