



MICHAEL SHAW
VICE PRESIDENT, GOVERNMENT RELATIONS

July 8, 2016

Ms. Mary Nichols
Chair
California Air Resources Board
1001 I Street
Sacramento, California 95814

RE: California Manufacturers & Technology Association (CMTA) Comments on the California Air Resources Board 2030 Target Scoping Plan Update Concept Paper

Dear Chair Nichols,

The California Manufacturers & Technology Association (CMTA) respectfully submits the following comments in response to the Air Resources Board (ARB) 2030 Target Scoping Plan Update Concept Paper (2030 Concept Paper).

CMTA works to improve and enhance a strong business climate for California's 30,000 manufacturing, processing and technology based companies. Since 1918, CMTA has worked with state government to develop balanced laws, effective regulations and sound public policies to stimulate economic growth and create new jobs while safeguarding the state's environmental resources. CMTA represents 400 businesses from the entire manufacturing community -- an economic sector that generates more than \$230 billion every year and employs more than 1.2 million Californians.

The 2030 Concept Paper lays out ARB's blueprint for moving ahead with a post-2020 greenhouse gas (GHG) reduction program designed to accomplish further mid and long-term reductions. Specifically, the 2030 Concept Paper sets a goal of 40 percent reduction below 1990 GHG emissions level by 2030 with an additional further focus on reaching an 80 percent reduction goal by 2050.

Additional statutory authority required for further GHG reduction goals

AB 32 (2006), also known as the California Global Warming Solutions Act, established a 2020 GHG emissions reduction goal of reaching 1990 levels. While setting a 2020 goal to reduce GHG emissions, AB 32 empowered Arb to maintain and continue the 1990 emissions level target beyond 2020. However, nothing in existing statutory authority granted ARB the power to mandate further reductions below the 1990 level.

Further, to this point, the Legislative Counsel's Office opined on the subject concluding that a plain language reading of the statute does not grant ARB authority beyond reducing emissions to 1990 levels. Therefore, in order to pursue further reductions ARB would need additional statutory authority.

Cap-and-trade program also requires further authorization

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The existing cap-and-trade program also faces limits in its continued operation as AB 32 authorized the continued operation through 2020 and by default excludes its operation beyond that point. As such, cap-and-trade would require additional statutory authority beyond 2020. Concept 1, the only concept in the paper that included cap-and-trade, fails to acknowledge this limitation and provides no plan to request such authority. Similar to the issues with setting further emissions reductions targets beyond 2020, cap-and-trade requires further statutory authority, a fact also noted by the Legislative Counsel's Office in their opinion on the program.

Concept 2 and 3 focus on varying targets of direct emissions reduction efforts in line with inflexible command-and-control regulations. As this is a concept paper, it lacks the detail required to give interested parties the ability to provide substantive feedback with any type of analysis. Both of these options focus on emissions reductions from specified sectors of the economy that threaten to increase leakage risk and reduce California's ability to reduce emissions without negatively affecting the economy. AB 32 acknowledged this challenge and directed ARB to reduce emissions in a manner that minimizes leakage.

CMTA believes that any further reductions in GHG emissions beyond 2020 must take into account the impact on the manufacturing industry and the ability of this valuable economic sector to continue to thrive in California providing good-paying jobs for those living in the state. In that case, a properly designed and accountable market-based mechanism provides regulatory flexibility to reach reasonable goals while protecting California's economy.

If you have further questions, please contact me at mshaw@cmta.net or (916) 498-3328.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Michael Shaw', with a stylized, flowing script.

Michael Shaw