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CALIFORNIA CHAMBER OF COMMERCE

July 9, 2021

Clerk of the Board
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Via Electronic Submittal

SUBJECT: COMMENTS ON THE INTRODUCTORY PRESENTATION OF THE 2022 SCOPING PLAN

The California Chamber of Commerce and the undersigned entities, representing dozens of organizations and the thousands of businesses they represent are pleased to present these opening comments in advance of the proposed California Air Resources Board (CARB) Scoping Plan update required by Health and Safety Code § 38561 (AB 32 Nunez, 2006). CARB indicates that it will present a preliminary plan to the Board in early 2022 and complete the Scoping Plan process by late 2022.

Many California statutes govern the preparation and evaluations that take place during the Scoping Plan process. Several key themes emerge from these statutes:

- California must seek to achieve "the maximum technologically feasible and cost-effective reductions in greenhouse gas emissions." CARB must ensure that its recommended activities are complementary to the actions taken by other agencies with jurisdiction over sources of greenhouse gases, such as the PUC and CEC, and ensure such measures are "complementary, nonduplicative, and can be implemented in an efficient and cost-effective manner." § 38561(a)
- CARB must identify direct emissions, alternative compliance mechanisms, market-based compliance mechanisms, and potential monetary and nonmonetary incentives. § 38561(b)
- CARB must "evaluate the total potential costs and total potential economic and noneconomic benefits of the plan for reducing [greenhouse gases] to California's economy, environment, and public health, using the best available economic models, emission estimation techniques, and other scientific methods." § 38561(d)
- It must take into account the relative contribution of each source or category of sources, identify the potential for adverse effects on small businesses, and recommend a de minimis threshold of GHG emissions. § 38561(e)
- It must identify opportunities for emissions reduction measures from all verifiable and enforceable voluntary actions, including but not limited to carbon sequestration projects and best management practices. § 38561 (f)

As recognized by CARB, the Scoping Plan cannot expand statutory mandates or create new regulations, but instead must envision how to reach goals already approved by statute.

The State's Carbon Goals Are Statewide, Not Sector-by-Sector

As envisioned by AB/SB 32, the state must achieve its carbon emission goals on a statewide basis. Governor Brown's B-55-18, which set forth a goal to achieve carbon neutrality by 2045, is also a statewide goal. Although the Scoping Plan requires CARB to evaluate the relative contribution of the various sectors, CARB must not unnecessarily burden any particular sector of the economy over another in its quest to achieve our emissions reductions goals.

Focusing on a statewide approach to carbon neutrality is important for several reasons. First, California's economy is largely intertwined, and impacts to one sector carry through to others. For example, imposing significant burdens on the agricultural sector that may substantially risk an increase in the price of food, which would in turn affect in-state grocery retailers, farmers' markets, as well as revenue from state exports from one of the largest American markets for food. Likewise, impacts to the transportation sector have ripple effects throughout the entire economy, which, if not done with intention in solving externalities, also risk increasing costs to all goods and services that are transported around and out of our state.

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A sector-by-sector approach may run the risk of increasing leakage and sending carbon emissions (and revenue generating new low and zero emission technology) out of state when increased compliance costs deter multiple sectors of the economy from expanding or investing in California.

In identifying scenarios to meet our 2045 goals, CARB must continue to focus on statewide emissions and the interaction between emissions reductions and the entire statewide economy in evaluating cost effectiveness.

CARB Should Identify Barriers to Innovation

CARB should avoid an all-or-nothing approach, as balance between source reduction and technology will be necessary to meet our climate goals. California has a substantial opportunity to be a leader not only in emissions reductions at the source, but in innovations to capture, store, or otherwise address existing greenhouse gas (GHG) emissions. Companies are making investments in achieving voluntary carbon reduction goals, investing in zero and low emission transportation options or helping them come to market, and are supporting companies that can provide those benefits as quickly and cost-effectively as possible to address the climate crisis. Companies are looking toward technology like carbon capture and sequestration to address hard-to-decarbonize sectors of the economy and a burgeoning carbontech market is emerging[1], wherein companies are researching innovative ways to utilize and sequester carbon-rich materials, or CO2 itself, in new or replacement products. According to a recent report by President Biden's Council on Environmental Quality:

> To reach the President's ambitious domestic climate goal of net-zero emissions economy-wide by 2050, the United States will likely have to capture, transport, and permanently sequester significant quantities of carbon dioxide (CO2). In addition, there is growing scientific consensus that carbon capture, utilization, and sequestration (CCUS) and carbon dioxide removal (CDR) will likely play an important role in decarbonization efforts globally; action in the United States can drive down technology costs, accelerating CCUS deployment around the world.[2]

Companies are scrambling to address the climate crisis in any way possible, but barriers to entry for some sectors—like a lack of a reliable market in some sectors or carbon credits or regulatory certainty in others for this technology—remain.

As part of its statutory mandate to evaluate voluntary emissions reductions that businesses can undertake, CARB, in conjunction with its sister agencies and the Governor's Office of Business and Economic Development and Office of Planning and Research should evaluate the impact of federal, state, and local practices that act as barriers to entry and areas for improvement, including, but certainly not limited to, where land use and entitlements or permitting can be streamlined, existing infrastructure can be repurposed, or state tax structures can be altered. The Biden June 2021 CEQ Report demonstrates that the federal government is looking at the relevant interaction between such federal policy and CCUS projects. If it is to continue to be a leader in the climate crisis, California must also evaluate statewide barriers to technological development. By way of example, this year, in an attempt to shore against predictions of low tax income in California, the state capped research and development tax credits in the state, removing in-state producers' incentive to get ahead of the curve on new technology. Despite record budget windfalls, this research and development tax credit remains capped. Barriers such as this, and others in areas of law and policy tangentially related to climate policy, should be evaluated in light of their risk of incentivizing companies to invest outside of California.

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[1] See, e.g. Jon Gertner, *Has the Carbontech Revolution Begun?,* NEW YORK TIMES MAGAZINE: THE CLIMATE ISSUE, June 23, 2021.

[2] Council on Environmental Quality, *Report to Congress on Carbon Capture, Utilization, and Sequestration*, June 2021, Delivered to the Committee on Environment and Public Works of the Senate and the Committee on Energy and Commerce, the Committee on Natural Resources, and the Committee on Transportation and Infrastructure of the House of Representatives, as directed in Section 102 of Division S of the Consolidated Appropriations Act, 2021. (hereinafter, the "June 2021 CEQ Report")

Emissions reductions goals may spur innovation, but massive investments in new technology will also be necessary to achieve our global climate ambitions. CARB should evaluate and identify barriers to market development and statutory and regulatory roadblocks that exist at the federal, state, and local level, and other actions necessary to encourage a robust market for carbon reduction technology as part of its evaluation of all voluntary emissions reductions in the Scoping Plan.

Continue Existing Incentives and Identify New Incentives For Technological Development

California must encourage, not punish, early adopters of carbon reduction technology. For example, companies made investments in cleaner natural gas vehicles, low carbon and renewable fuels, and have spent significant resources on renewable natural gas. The state should be sure to continue to incentivize these reductions, many of which are currently available at scale and for a lower cost than new, emerging technologies. California should certainly keep an eye toward its mid-century goals, and should continue to fund incentives for zero emission technology. However, it must ensure that early adopters continue to be supported.

Appropriate fuels must continue to be available at a cost-effective level for industries that are hard to decarbonize. While we work toward a carbon neutral future, we must ensure that we can continue to provide the stable jobs and economy that has kept California afloat during the Covid-19 crisis, delivering goods and services across our state. Companies that made early investments in low carbon fuels and infrastructure must not see their investments made more expensive or obsolete, lest we discourage companies from making early investments in the future. California should ensure that sufficient fueling options remain on the table while scaling up future technology.

Conclusion

We look forward to reviewing details of CARB's Scoping Plan as they emerge over the next few months. As indicated above, we believe California has a substantial opportunity to play a starring role in solving the climate crisis by investing here in our state. To that end, CARB should ensure any 2045 plan is a statewide goal, not a sector by sector approach. To maintain our diverse economy, CARB should conduct significant analysis into any barriers or roadblocks for development of emerging and as-yet-unseen carbon technology, and it should continue to incentivize early adopters of low carbon technology. Finally, California should continue to support existing incentive programs, and evaluate new ones, to encourage low or no carbon alternatives. In this manner, CARB can continue to meet its mandate to achieve maximum technological feasibility in the most cost-effective manner.

We look forward to working with you as the Scoping Plan process moves forward.

Sincerely,

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California Building Industry Association, *Dan C. Dunmoyer*
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California Retailers Association, *Steve McCarthy*

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