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Comments on CARB's 11/7 Public Workshop on the 2030 Target Scoping Plan

Thank you for the opportunity to comment on the Target Scoping Plan currently being developed at the California Air Resources Board (ARB).

We strongly urge ARB to continue the cap and trade program post 2020 with the possibility of increasing the offset usage limit from its current 8% limit.

The Climate Trust (TCT) is a 19-year old NGO based in Portland, OR. Since 1997 we have been charged with investing utility compliance dollars in climate friendly projects throughout the U.S. in keeping with the Oregon Carbon Dioxide Standard. Earlier this year we launched Climate Trust Capital to invest in capital-constrained carbon reduction projects in the grassland, forestry, and dairy digester sectors. Our investment periods span 10 years and returns are predicated on carbon markets. Our plan is to scale the fund to $100 million based on 8% limit.

Traditional venture capital serves to incubate and stimulate business endeavors in this country. VC capital helps creates jobs, boosts GDP, and drives needed innovation. Impact venture capital is vital to growing a low carbon economy. During the course of the AB32 program California has attracted more that $21 billion in venture capital investment, more than all other states combined. Achieving the target called for under SB 32 calls for an additional reduction of 172.4 MMTCO2e – more than double AB 32's 2020 target of 78 MMTCO2e! Leveraging private finance is key; not only in this context but also globally if we are to successfully finance the arrest of global temperature change.

The capital markets we engage with continually seek long-term certainty around carbon markets. Questioning the cap-and-trade system causes investors and lenders today to heavily or completely discount carbon price that a new low carbon economy will need to be built upon. Only long-term certainty will allow private markets to mobilize capital for the new projects and technologies that will deliver the needed reductions. Ensuring a seamless transition to a robust post-2020 California cap and trade market is essential to attracting such vital finance that drives real and permanent reductions.

ARB's June 2017 "2030 TARGET SCOPING PLAN UPDATE states "Natural and working lands are integral to the State's climate change strategy. Storing carbon in trees, plants, aquatic vegetation, and in the soil is one of the most effective ways to remove GHGs from the atmosphere." We could not agree more! We were happy to see Ontario's draft offset regulation that includes 13 land-based protocols. Carbon markets and linkage allow the efficient tapping of potential for those sectors.

In Marrekesh, the world was watching California, galvanized to act despite the outcome of the elections. Here in Oregon we are paying close attention to the California cap and trade program as we take our own legislative bill to session in early 2017 hoping to link to your market if successful. Linked markets make a lot of sense given the World Bank Carbon Pricing State & Trends Report just released that points to the fact that greater cooperation through carbon trading could reduce the cost of climate change mitigation by 32% by 2030. Modifying the California program or decreasing the offset limit seems to be the wrong way to go in our honest opinion. This is further borne out by the fact that offset usage for 2015 nearly hit the 8% ceiling. The market is still very young and market actors are still learning how to interpret and respond to price signals. This evidenced

We applaud California's stated two-pronged approach of first assessing the state-specific circumstances to develop measures that would apply specifically in California; and second, assessing which measures might lend themselves, through careful design and collaboration with other interested jurisdictions, toward linked GHG reduction programs. This is vital!

Meeting the incredibly ambitious greenhouse gas goals now required by law in California *in the cheapest manner possible* is a central equity issue. Keeping compliance costs low is a critical equity issue that we continually urge environmental justice advocates not to forget. Trading allowances and offsets is the key flexibility that enables climate policy to achieve emission reductions at the lowest cost. The recent Preliminary Environmental Equity Assessment of California's Cap-and-Trade Program paper rightly points out "as regulated entities adapt to tightening cap, it will see more localized GHG and co-pollutant reductions." We would argue this is exactly as designed; ARB's program is working.

While California has taken a leadership position in implementing a comprehensive cap and trade program, it cannot solve climate change on its own. It can be a challenge for other jurisdictions to adopt such programs, but one way in which jurisdictions outside of California without carbon pricing mechanisms can gain exposure to them is through participation in the offset market. To this end, maintaining (or increasing) the 8% limit and enabling robust participation throughout the country offers an entry point for jurisdictions considering cap and trade programs. This, in turn, can promote market linkages and aid in expanding cap and trade programs beyond California; a fruitful act of climate diplomacy.

In closing, we appreciate the tremendous effort that has gone into a functioning cap and trade program. We urge you to continue with it post 2020. Further, please consider raising the limit to 12% to catalyze needed private sector finance, innovation and increasing co-benefits, driving jobs in a clean economy while maximizing cost containment opportunities, and enable fluid (and beneficial) market linkages.

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