



April 7, 2017

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

RE: COMMENTS ON THE “2017 CLIMATE CHANGE SCOPING PLAN UPDATE”

Dear Chairwoman Nichols:

The California Chamber of Commerce appreciates the opportunity to comment on the “2017 Climate Change Scoping Plan Update” released January 20, 2017. CalChamber is the largest broad-based business advocate in the state, representing the interests of over 13,000 California businesses, both large and small. Many of CalChamber’s larger members are directly affected by climate change regulations, while many other smaller members will likely experience indirect impacts in the form of new costs passed down from fuel and energy providers.

California’s population is anticipated to increase by 50 percent from 1990 through 2030. Our increasing demand for energy and related greenhouse gas (GHG) emissions will run headlong into the need to reduce per capita GHG emissions by 50 percent by 2030. California has some of the most ambitious clean energy goals in the world and our industries are already among the most energy efficient. The state has already made great strides in reducing our GHGs, but many of those reductions were either low-hanging fruit or the result of a long and painful recession. Moving forward, the emissions reductions sought after will be much more difficult and expensive. Achieving the goal at greater expense than necessary will impact California’s economy and business. This impact is not limited to those parties directly obligated under these programs but all businesses that use energy and the residents of California.

We appreciate the opportunity to provide the following comments on the “2017 Climate Change Scoping Plan Update.”

THE POSSIBLE POLICY SCENARIOS SUGGESTED IN THE CONCEPT PAPER VARY WIDELY

While the CARB has evaluated multiple scenarios, there has been a preferred scenario from the beginning, the “Proposed Scenario,” which relies on sector specific measures in combination with a market mechanism. The additional analysis provided through the Scoping Plan Workshop on March 28, 2017 was greatly appreciated and provided a more in depth snap shot of the five scenarios and the costs associated with each.

The CalChamber has been a long-time advocate for a market mechanism to aid in relieving cost pressures associated with our climate programs in order to maintain a competitive position in the global marketplace. It is clear from the March 28 workshop presentation that Alternative 3 – All Cap-and-Trade is the scenario with the least economic impact which will still deliver the necessary GHG emissions reductions as well as air quality benefits.

Alternative 3 provides the necessary certainty to achieve our GHG emissions reductions as mandated under AB 32, SB 32 as well as AB 197 by setting our cap for GHG emissions, maintaining our known commitments and ensuring the remainder of emissions are achieved through the Cap-and-Trade program.

There is already a heavy reliance on our known mandates post-2020 including the Renewable Portfolio Standard, SB 375 Sustainable Communities Strategy, SB 1383 the Short-Lived Climate Pollutant Strategy, the Sustainable Freight Action Plan and the Mobile Source Strategy in addition to efficiency measures that industries throughout the state have already adopted. Through these mandates, there have been and will continue to be direct emissions reductions achieved. Should the CARB move forward requiring greater reliance on sector specific measures as mentioned in the Proposed Scenario, it will increase the uncertainty of achieving our 2020 GHG emission reduction mandate because it is unclear whether or not those sector specific measures are technologically feasible and the economic impact has not been fully vetted.

Post 2020 emissions reductions will come at a much steeper level of decline and will be harder and more expensive to achieve. Scenario 3 holds the GHG emissions reductions accountable with real and measurable metrics that are achievable while at the same time minimizing both economic and emissions leakage. This will also allow room for growth in the development and improvement of our current climate change programs. Moreover, Scenario 3 will spur and incentivize innovation to achieve our GHG emission reduction mandates by allowing the market to work and encourage new and innovated ways to achieve GHG reductions.

While more work is needed on Scenario 3, we do appreciate the additional information provided by staff at the March 28 workshop along with the recognition in Appendix E that the economic analysis is ongoing and additional information will be released with the final 2017 Climate Change Scoping Plan.

Unfortunately, releasing the economic analysis of the scenario that is the most cost effective after the final plan is completed does not provide for meaningful stakeholder engagement. CalChamber, at the January CARB meeting, as well as other stakeholders, respectfully requested that the CARB release the full economic analysis for Alternative 3 and allow for ample time to respond to the analysis ahead of the adoption of the final Scoping Plan. This is a key document which will provide pertinent information to the CARB members, interested stakeholders and the public.

GHG REDUCTIONS AND COST-EFFECTIVENESS

It is critical that when looking at GHG reductions, that cost-effectiveness and technological feasibility be considered. The discussion draft describes synergies and integrated systems to reduce carbon emissions, yet there is a lack of detail of how this will be achieved. While we appreciate that GHGs are being considered with a holistic approach, there needs to be a greater understanding of how, where and what emissions reductions are being achieved and through which mechanism. The paper also notes that existing policies are helping California businesses compete in a global economy and creating new investments and jobs. However, to date, there has not been a comprehensive economic analysis of our climate programs.

ECONOMIC ANALYSIS

Addressing the costs and benefits of climate change are important to businesses and individuals in the state. California's climate change program has been under way for many years. State policy makers and regulators would benefit from a marginal cost analysis of this regulatory regime and how alternative approaches would affect the California economy and our living environment.

In order to guide climate change policies, an analysis of whether the regulations implemented to date have exacerbated or prevented emissions or economic leakage outside our borders is crucial, in addition there needs to be an analysis to understand the specific consequences to economic sectors negatively impacted by emissions reductions programs. It is imperative that an analysis be used to guide climate policies, rather than the policies be set; then the evaluation conducted. We are years into our current climate policies, yet have no economic analysis to use as a guide for this scoping plan.

REVIEW

In conjunction with economic analysis, our climate change policies need robust and regular oversight. Informational hearings need to accompany our climate policies to date and policies under consideration for post-2020. Each regulation should be reviewed on its' own merits to ensure that it is achieving its' intended outcomes while ensuring it is being done so in a cost-effective manner.

In addition, the 2008 Scoping Plan included a peer review document. This 2008 Scoping Plan Peer Review provided valuable feedback for CARB's initial Economic Analysis of the Scoping Plan. This included a cost of regulations in comparison to the cost of consumer goods, impacts of increased energy costs, impact on state competitiveness and the lack of a cost-effectiveness analysis. This should be a consideration for the scoping plan update.


LINKAGE

California has justified the implementation of AB 32 in large part as an example for other states to follow. Seeing as few have taken us up on that challenge, it seems prudent to assess the usefulness of continuing to lead where others are reluctant to follow. An independent analysis can help make informed decisions so we can ensure the state is choosing the least costly route that allows for maximum environmental benefit. Other states and nations are closely watching California, and it only makes sense to develop an alternative that others will follow.

We are committed to working on the cost-effective implementation of legally supported climate change programs in the state while ensuring that we remain competitive in the world while reducing global greenhouse gas emissions. We hope we can continue to provide constructive feedback throughout this process as it is in the benefit of all California businesses and consumers that we get this right.

We appreciate your consideration and the opportunity to comment. Please feel free to contact me if you have any questions at amy.mmagu@calchamber.com or 916-444-6670.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Amy Mmagu', with a large, sweeping flourish extending to the right.

Amy Mmagu
Policy Advocate