

April 07, 2017

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

**Re: Comments on 2030 Scoping Plan Update - Discussion Draft**

Thank you for providing the opportunity to comment on “The 2017 Climate Change Scoping Plan Update.” We appreciate the efforts of ARB staff in analyzing multiple alternative scenarios in response to recently passed legislation to update the existing comprehensive Plan to meet the State’s ambitious climate goals.

**Meeting the 2030 target is a paramount consideration**

There are a whole host of policies California can implement that reduce GHG emissions. Each measure implies different costs, benefits, flexibility and certainty in terms of emissions reduced. Of the multitude of carbon policies, cap and trade is unique in its ability to guarantee a GHG reduction target is met. This is not to endorse cap and trade as a one-size fits all stand-alone measure for reducing GHG emissions. Rather, the purpose is to emphasize that cap and trade is essential for any complementary suite of carbon policies where the overall goal is to reduce emissions in a manner that guarantees an emissions reduction target is met.

All carbon policies will be subject to uncertainty as to the extent of their relative effectiveness in reducing GHG emissions. This is where cap and trade has been seen to play a crucial role of eliminating this uncertainty by requiring whatever additional reductions are necessary to meet a given target. If meeting the 2030 target is a paramount consideration then a scenario that includes cap and trade as one of the policies is essential.

**Inter-jurisdictional consistency is important for expanding market linkage**

GHG emissions are a global problem and emissions generated outside of California’s borders expose California to the negative effects of climate change. This is a problem where multiple jurisdictional collaboration and policy coordination is essential for mitigating the negative effects of climate change. The establishment of a cap and trade market that is linked with other jurisdictions is one way of leveraging GHG emission reductions for a jurisdiction’s benefit.

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Linked markets work best when they contain as many consistent requirements as possible. To this end, it is not advisable for ARB to evaluate reducing the current 8% offset usage ceiling. This ceiling is consistent with other linked jurisdictions. Additionally, maintaining this ceiling offers a valuable blueprint for additional jurisdictions that are considering adopting cap and trade legislation. Currently, the Oregon State legislature is debating a cap and trade bill with the aim of establishing a market that could be linked through the Western Climate Initiative. Sending out signals around evaluating design aspects such as the 8% ceiling makes it challenging for new jurisdictions such as Oregon to design and pass cap and trade policies where one of the key objectives is to be able to link with California. Maintaining the 8% ceiling not only solidifies a blueprint for other states, but it reduces uncertainty around the impacts of adopting a cap and trade market in a new jurisdiction that wishes to link with California.

### **Cap and Trade provides compliance flexibility**

Cap and trade is the most effective option for providing compliance flexibility and adhering to the objectives of AB 32 and AB 197 to encourage cost effective reductions. Command and control is the antithesis of flexibility as facilities are directed to meet a source specific reduction target regardless of costs and regardless of whether other sources could undertake steeper reductions at a lesser cost. This runs counter to the mandates of AB 32 and AB 197.

A static carbon tax runs the risk of further depressing the economy if it is weak and missing emission reduction targets if it's strong. It would be difficult--likely impossible--for a carbon tax to provide comparable flexibility as it would need to be regularly adjusted in a way that is transparent to regulated companies.

### **Co-Benefits of Cap and Trade**

It's useful to turn to other programs currently underway that have addressed emissions while balancing localized air quality issues. A [research report](#) shared the findings on health impacts of the Regional Greenhouse Gas Initiative (RGGI) cap and trade program. Historical data for the 2009 to 2014 period tracked air pollution and corresponding health impacts under the RGGI program. Their analysis found positive health impacts estimating the avoidance of 300 to 830 adult deaths, 8,200 to 9,900 asthmas exacerbations, around 14,500 respiratory illnesses, and 35 to 390 heart attacks. This tallied up to a health savings for the RGGI states of \$5.7 billion and avoided approximately 44,000 lost workdays.

The [new report](#) from the Center for Law, Energy and the Environment (CLEE) at UC Berkeley School of Law examined the economic impacts of

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California's major climate programs on the San Joaquin Valley, made up of eight counties representing 11% of California's population. The report points out that the air quality suffers more in this area than in any other place in the state. The authors found that due to the impacts of the cap and trade mechanism, the RPS, and energy efficiency programs, there was an overall net economic gain of \$13.4 billion to the Valley. The findings underscore that fears of negative economic outcomes from greenhouse gas reduction programs are unfounded.