



California Council for Environmental and Economic Balance

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May 26, 2016

Ryan McCarthy
Office of the Chairman
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Proposed Short-Lived Climate Pollutant Reduction Strategy

Dear Mr. McCarthy,

On behalf of the members of the California Council for Environmental and Economic Balance (CCEEB), we provide you with comments on the Draft Short-Lived Climate Pollutant (SLCP) Reduction Strategy. CCEEB is a non-profit, non-partisan association of business, labor, and public leaders, which advances balanced policies for a strong economy and a healthy environment.

CCEEB believes the best path to achieving the state's long-range environmental goals—including SLCP-focused reductions—is through an integrated and flexible policy framework that optimizes sustainable and cost-effective GHG reductions across all programs and sectors. By addressing SLCP goals in a way that manages costs and spurs innovation, the state can ensure that California's economic recovery continues. CCEEB recognizes that the California Air Resources Board (ARB) has been directed by the Legislature to develop this strategy document, but it is important to recognize that some of the strategies in this document establish new, additional complementary measures that can potentially undermine the flexibility envisioned by the Cap-and-Trade program. ARB needs to guard against layered regulatory programs that add cost without benefit. ARB should rely on its many existing programs to the greatest extent possible as the starting point for strategies for addressing SLCPs.

Accounting For Decades of Action

ARB's pollutant specific targets use a different starting year and baseline (e.g., the targets for black carbon are based on 2012 levels and the targets for fluorinated gases are based on forecasted emissions). This is confusing, makes comparison difficult, and does not align with the state's broader GHG goals that use 1990 levels as the baseline. CCEEB is also concerned that setting the baselines in the recent past does not reflect the significant reductions in SLCPs that have been achieved since the 1990s.

ARB should show emissions trends and forecasts from current regulations and programs that already control emissions of each of the gases – this data can then be used to compare reductions with the state's climate goals and indicate what percentage of total emissions have already been or are expected to be reduced from 1990 levels as well as gaps between forecasts and targets.

CCEEB recommends that ARB make its targets California-specific and consistent with existing programs. National and global targets lack the context of California's extensive GHG and criteria pollutant emissions mitigation and reduction programs. California's historical and persistent action should be fully accounted for in the context of national and global target setting. ARB should also develop a consistent inventory process that allows for direct comparison to other emissions in California's climate and air quality programs. From this apples-to-apples inventory, technical evaluations of potential measures will provide the transparent information necessary for sound science-based policy development.

Cost Analysis and Cost Effectiveness

ARB acknowledges the need for economic analysis but seems to have already concluded that many measures will have low or negative costs (see page 72). Many measures are proposed with a promise to look at the costs and benefits in the future. CCEEB requests that ARB provide a robust and transparent economic analysis for each concept prior to advancing draft strategies and developing this document further. All analyses should be available for public and legislative scrutiny, with adequate time provided for stakeholder review prior to furtherance of the strategy document.

As the SLCP strategy progresses, individual pollutant targets should be based on the potential for technically feasible and cost-effective reductions. Given the labor intensive regulatory process, ARB must focus on the largest sources first, rather than overlap or regulate the same sources in different rules. Overall, ARB should prioritize lower cost actions and ensure that each emitting sector is responsible for achieving its most cost-effective reductions. CCEEB recommends that the SLCP strategy include information about how targets were set and indicate the cost-effectiveness of different control strategies.

Technological Feasibility and Permitting Barriers

CCEEB believes that the proposed strategy overstates the ability to site, permit and build many of the required resources to achieve the targets set by staff. It is concerning that regulatory bodies do not acknowledge the difficulty that private business encounters due to substantial permitting barriers that have been developed by layered environmental and land use policies in the state. This is in addition to simple nuisances presented in communities from such things as odors that dedicated food waste collection bins create. While these impediments can be overcome, the strategy should clearly indicate the barriers and discuss legal and regulatory changes that would have to take place in order to achieve the aspirational goals of the proposed strategy. Absent this context, policy makers will simply view the strategy as a guidebook for legislation without the nuance of the full array of policy concerns.

To create further clarity CCEEB recommends a pathway analysis be completed prior to finalizing the proposed strategy. While treated as an aspirational goal-setting exercise, the development of a SLCP strategy needs more detail on the feasibility of actually achieving the goals. Also of concern is that these goals are directly related to the global goals, which have not been put into the context of California's far more stringent Air and Climate legal and regulatory structure, and which account for the proactive approach that this state has taken.

CCEEB also questions staffs support and ability to cost-effectively monitor and inventory fugitive emissions. It is our understanding that the technology and techniques are fledgling and prohibitively expensive. CCEEB recommends that partnerships with affected industries to test and refine these technologies continue to be pursued rather than pursuing rulemaking and direct regulation.

Global Warming Potentials (GWP)

Changing 100 year to 20 year GWP factors also changes the cost-effectiveness of the overall program. The AB 32 Scoping Plan, which includes this program, is based on 100 year GWP factors. By changing to 20 year factors the impacts of only some pollutants (SLCPs) results in artificially increasing their cost-effectiveness relative to all of the other measures in the Scoping Plan.

A 100-year global warming potential (GWP) value is the current internationally accepted standard used across myriad State and Federal regulatory regimes including the ARB's statewide emissions inventory, AB 32 Scoping Plan and the Cap-and-Trade regulation. The factor change would defeat the internal consistency of the state's policy. ARB should put this change into context for the public and Board's review prior to adoption of the proposed strategy.

Leverage Existing Regulations

CCEEB appreciates ARB's inclusion of existing regulations and believes that a comprehensive review of federal and State control measures will provide a vast majority of the reductions needed to achieve the State's goal and demonstrate that SLCP emissions will be significantly reduced directly or indirectly in the future. For example, according to ARB's own data, most black carbon in California comes from wood burning and forest fires. Wood burning is increasingly regulated by regional air districts. Moreover, regulation of particulate matter (PM) under both federal and State laws has already reduced black carbon by 85 percent from 1990 levels.¹ CCEEB believes that inclusion of forestry management practices is vital and will have substantial benefits across multiple pollutant categories including the reduction of black carbon from forest fires.

Additional duplication could occur between the SLCP strategy and broader climate policies that regulate the same sources, such as the Cap-and-Trade program. While the Cap-and-Trade program places a clear price on GHG, with allowance prices hovering in the \$12 range, other "complementary policies" do not produce a transparent GHG cost. Moving forward, we would like to see California adopt a GHG policy that prioritizes cost-effectiveness through promoting transparency around the costs and benefits of all reduction strategies and allows technologies to compete against one another on a level playing field. This approach will provide a clear market signal to developers of low and zero-carbon solutions and encourage innovation. Furthermore, direct emission-abatement measures within a system that has an upper limit (cap) on emissions will not change the total amount of emissions from within that system. Within a capped system, direct measures change only how the emission reductions are achieved, who pays for those reductions, and at what cost. Through the SLCP, ARB should be transparent about the purpose and impact of each direct measure as well as the target that, when achieved, will indicate that the measure is no longer warranted because the market signal provided by Cap-and-Trade will achieve further needed reductions. ARB should provide the cost of carbon for each control measure so that a transparent comparison between policy options can be made. CCEEB believes that use of the Cap-and-Trade program could serve to achieve many of the reductions proposed within the SLCP strategy.

It has also been suggested that a Phase II of the ARB Landfill Methane Control Measure be explored. CCEEB recommends that if ARB proceeds with a Phase II that a thorough evaluation be performed to determine the effectiveness of Phase I, and that cost-effectiveness be determined for any additional methane reductions from potential Phase II measures.

¹ ARB lecture shows that large decadal trends in black carbon concentrations are largely in response to policies enacted to decrease PM emissions from diesel combustion: <http://www.arb.ca.gov/research/lectures/speakers/ramanathan/ramanathan.pdf>

Organic Waste

CCEEB supports the concept that wherever possible, organic waste should be utilized in ways that reduce SLCP emissions while reclaiming maximum value from energy and nutrients that remain in these sources. ARB estimates that building needed infrastructure to achieve a 90% diversion rate by 2025 would cost the state \$100 million per year for five years, with an additional \$100 million needed for management of organics from dairies. We believe these projections are underestimated. More importantly, we are concerned about ARB's ability to identify a funding mechanism, or mechanisms, for these efforts. Given the aggressive path laid out to recycle organic waste, ARB needs to re-prioritize its funding efforts to allow the necessary infrastructure to be built.

Additionally, CCEEB believes ARB should fully implement current mandates and targets before superseding them with new and additional organic waste regulatory mandates (e.g., 90% diversion of organics from landfills by 2025). As discussed in the SLCP, AB 1826 (Chesbro) – Chapter 727, Statutes of 2014, was passed and signed into law last year. CCEEB recommends that the SLCP focus on strategies to achieve a difficult AB 1826 commercial organic reduction mandates. The framework and success of AB 1826 implementation will pave the way for more consistent and effective future actions; it is premature to move beyond the AB 1826-goal in the SLCP strategy. Financial incentives and reduction in regulatory barriers for new infrastructure needs to be established prior to development of new goals outside of statutory authority.

The draft report correctly identifies municipal wastewater treatment plants (WWTP) as a means of managing organic waste in the short-term while infrastructure for new management strategies is being developed. CCEEB believes that ARB and CalRecycle should strengthen partnerships with industry to collaborate on much needed development of projects and funding opportunities. The California Association of Sanitation Agencies reports that existing WWTPs in the state have enough excess capacity at their existing digesters to handle up to 75% of the organics that could be diverted from landfills. With the proper funding and regulatory support, additional digester capacity could be added to these facilities. Given the enormous potential of WWTPs to handle organic waste, CCEEB believes this should be a priority for ARB and CalRecycle moving forward.

Voluntary Actions and Incentives

ARB should include and assess the potential of voluntary measures in its SLCP Reduction Strategy. For example, ARB could examine the GHG reduction potential of offset projects (e.g., biochar). Offsets are a cost-effective mechanism to achieve GHG reductions, but much more support is needed to accelerate the development of offset protocols and the generation of offset supply.

In addition to leveraging the market to reduce the emissions discussed in the proposed strategy CCEEB believes that several of the proposed regulations are better handled with incentive programs funded through the GGRF. One of CCEEB's long held principles on Cap-and-Trade revenues has been to use them for the amelioration of GHGs. By providing incentives ARB will not remove flexibility or additionality from the Cap-and-Trade program and could achieve substantial buy-in from those who are currently under threat of direct regulation.

Conclusion

Thank you for allowing us the opportunity to comment. Please contact me or Jackson R. Gualco, Kendra Daijogo or Mikhael Skvarla, CCEEB's governmental relations representatives at The Gualco Group, Inc. at (916) 441-1392, if you have any questions regarding our comments. We welcome the opportunity to discuss any climate change-related matter of significance to the CCEEB membership.

Sincerely,



GERALD D. SECUNDY
President

cc: Honorable Chair & Members of the Air Resources Board
Mr. Richard Corey
Mr. David Mehl
Ms. Sarah Pittiglio
Ms. Marcelle Surovik
Mr. William J. Quinn
Ms. Janet Whittick
The Gualco Group, Inc.