



March 6, 2020

Ms. Rajinder Sahota  
California Air Resources Board  
1001 I Street  
Sacramento, California 95814

Re: WSPA Comments on CARB's Recent Webinar "*Meeting California's Carbon Neutrality Goals: Approaches for the Industrial Sector*"

Dear Ms. Sahota,

Western States Petroleum Association (WSPA) is a trade association that proudly represents companies that explore for, produce, refine, transport and market petroleum, petroleum products, natural gas, and other energy supplies in California and four other western states. Currently 152,000 men and women have careers in the oil and gas industry in California and 366,000 people have careers whose jobs depend on the oil and gas industry in this state. The industry in California contributes \$152 billion every year in economic activity and directly contributes \$21.6 billion in local, state, and federal tax revenue to support schools, roads, public safety and other vital services.

We appreciate the opportunity to provide comments on the recent webinar titled "*Meeting California's Carbon Neutrality Goals: Approaches for the Industrial Sector.*"

**WSPA Supports Carrot Approach to Incentivize Technological Development, But Concerns Exist with Removing Allowances from Cap-and-Trade Budget**

WSPA appreciates the recognition by CARB staff that the industrial sector is an important driver of local jobs and the economy. We also appreciate the acknowledgement that eliminating fuel combustion will not always be practical. Directionally we agree that using a carrot approach to incentivize technological development, as suggested in the webinar, will be important.

The approach, however, presented during the webinar raises questions and potential concerns. First and foremost, it is unclear from which vintage year allowances would be pulled to establish the set-aside pools. Setting aside a pool of allowances could cause distortions in the market by reducing the supply available to regulated entities. If CARB were to pull allowances from the general budget, this would put additional pressure on allowance prices in the cap-and-trade program. This could be particularly problematic in light of the fact that the program has not yet moved into the post-2020 program structure (at which point the slope of the cap decline curve will increase and allowable offset usage will be

decreased, thus making the program much more strenuous). Removing allowances from the market prior to evaluating the impact of these fundamental changes to the program structure would be premature and could potentially have negative consequences on consumers and businesses.

As an alternative, is there a way to establish a set-aside pool of allowances that would not create additional pressure on the general allowance budget? Or, since it is unclear the number of projects and applications that CARB might receive through this mechanism, perhaps CARB could consider allocating allowances based on applications received (where allowances are awarded as applications are approved) versus setting aside a predetermined number of allowances. Otherwise, CARB would be forced to guesstimate how many allowances to put into the set-aside pool. We recommend not over-constraining any future allowance budget based on a guesstimate made in 2020.

### **WSPA Encourages Additional Creative Thinking to Incentivize Early Emission Reductions**

The pursuit of carbon neutrality will require significant outside-the-box thinking. WSPA would encourage CARB to do some additional creative thinking around other potential tools to incentivize early greenhouse gas emission reductions. For example, CARB should consider developing a grant program using GGRF funds that could be used to reduce the economic barriers associated with technology upgrades such as installation of carbon capture technology. Such a mechanism would serve the same purpose as the approach presented during the webinar without putting additional pressure on the cap-and-trade program. There are likely other ideas. We will continue to think about what those might be, and we look forward to being able to provide input on other ideas that CARB staff develop.

Again, thank you for the opportunity to comment on the webinar. Please feel free to reach me at [troberts@wspa.org](mailto:troberts@wspa.org) if you have questions or would like to discuss this further.

Sincerely,

A handwritten signature in blue ink that reads "Tiffany Roberts". The signature is fluid and cursive, with the first name and last name clearly distinguishable.

Tiffany Roberts  
Director, Legislative and Regulatory Policy  
Western States Petroleum Association