



To: Rajinder Sahota, Branch Chief / Cap-and-Trade Program
California Air Resources Board

FR: Climate Change Policy Coalition

DATE: April 7, 2017

RE: CCPC Comments 'The 2017 Climate Change Scoping Plan Update –
The proposed Strategy for Achieving California's 2030 GHG Target
2030 Target' [January 20, 2017 Document & March 28, 2017
Scoping Plan Update Workshop Materials]

The Climate Change Policy Coalition (CCPC) is a coalition of business, taxpayer, agriculture, forestry, and building and GHG-regulated stakeholder groups working for effective implementation of California's climate policies. Our goal is to provide a constructive voice in program and design updates as they are recommended by ARB staff to the California Air Resources Board (ARB) for potential regulation adoption.

CCPC believes the best path to achieve the state's long-range environmental goals is through an integrated and flexible policy framework that optimizes technologically feasible, cost-effective, and sustainable greenhouse gas (GHG) emissions reductions in all programs and sectors.

CCPC believes the most comprehensive and effective scenario alternative ARB Staff has developed for recommendation to the Air Resources Board for adoption in June is Alternative 3 – All Cap-and-Trade: 2030 GHG and Air Quality Reductions. The options offered in the Scenario 3 design include the existing Low Carbon Fuel Standard and the Renewable Portfolio Standard and then capture the balance of emissions through the cap-and-trade program which both meet the GHG goals and all of the other objectives for the Scoping Plan Update.

CCPC respectfully suggests that (Alternatives 1, 2 and 4) do not achieve the policy analysis of the ‘Proposed Scoping Plan’ in Section II C of the January 20, 2017 document. These scenarios do not meet the primary objective to meet the 2030 GHG goal and introduce substantial uncertainty threatening other AB 32 objectives. Accordingly, these alternatives should be eliminated from further consideration.

Further, we question the assertion by the California Air Resources Board Staff that the current “Proposed Plan” Scenario would be the most effective approach to achieving the Section II C policy objectives. ARB should reconsider its current position in light of the following observations and recommendations.

With either Scenario 3-- “All Cap and Trade” or the “Proposed Plan” scenario, the declining cap ensures that the 2030 GHG emissions reduction target will be achieved.

Greater reliance on sector-specific measures under the Proposed Plan Scenario increases the uncertainty of achieving total 2030 target emissions reductions because those measures may prove to be technologically infeasible or cost prohibitive.¹ This outcome offers no advantage in terms of achieving the 2030 target, but could result in stranded investments and unforeseen localized and statewide economic impacts.

The current Proposed Plan being offered will further negatively affect all Californians by raising energy costs. Such burdens can only result in a slowing of the economy and it is why CCPC advocates for a mix of measures that will safeguard jobs, protect consumers from higher energy costs, and that achieves environmental goals.

We believe Scenario 3 provides the certainty necessary to achieve the GHG emissions reductions set forth in statute. The ‘cap’ ensures emissions reductions are real, measurable, and achievable and the program design can reduce the potential for both economic and emissions leakage.

¹ *The 2017 Climate Change Scoping Plan Update*, California Air Resources Board, January 20, 2017, Figure II-2

It is important to keep in mind that cap-and-trade does indeed force direct emission reductions and therefore provides the state a means of complying with AB 197. Therefore, ARB does not need to put additional stationary source measures in place in order to comply with the bill.

More work does need to be completed with regard to Scenario 3 -- While we appreciate the summary information provided in the staff presentation at the March 28 workshop, and the acknowledgement in Appendix E that the economic analysis is ongoing and that additional information will be included in the final release of the 2030 Target Scoping Plan, this approach denies meaningful stakeholder review, testimony and Board member consideration of, ARB's Scenario 3 Analysis.

CCPC agrees with numerous other stakeholders that that California Air Resources Board needs to release the full economic modeling and staff analysis for Scenario 3 -- as soon as possible -- and provide a full 45 days² for stakeholder and Board member consideration of this information, and allow a reasonable period of time for staff to respond to comments and revise the relevant Scoping Plan documents before the Board considers a vote on a final staff proposal.

The Natural and Working Lands Model

CCPC members recommend the following addition to 'Appendix G Natural and Working Lands Modeling.' Inclusion will allow for more efficient calculation modeling with greater certainty the role natural and working lands play in the overall GHG emissions reductions outcomes. By improving accuracy we can better understand the impacts and consider future opportunities for reductions.

There's no indication that the impact of the current insect and disease epidemic throughout California has been taken into account. The Forest Service alone for the central and southern Sierras estimate 2.1 million acres are dead (*Tahoe National Forest down to the Sequoia National Forest*). From

² Please see note below: 'Outstanding Scoping Plan Development Issues'

2010 FIA data, plot data indicates an average of 22 mbf/acre on these Forests X 2.1 million acres = over 40 Billion Board Feet are dead.

Conversion board feet to Co₂equivalent 3 bone dry tons/1 mbf (thousand board feet). A bone dry ton of wood is ½ carbon or 1.5 tons of carbon/1 mbf X 3.67 = 5.5 tons CO₂equivalent/1 mbf or 220 million tons of CO₂e for 40 billion board feet now in dead forest.

This equates to 220 million tons of CO₂e being released to the atmosphere (including a component of methane (25 times more potent as a greenhouse gas compared to CO₂) over several decades.

Better Inclusion and Explanation of Various Air Pollution Policies

CCPC has been working on local education forums throughout the state and has found that there is significant confusion and lack of understanding among community and business leaders regarding the varying types of air contaminants, and especially as to the extraordinary effectiveness of these local programs in reducing or eliminating criteria pollutants and toxic air contaminants throughout the state. Some areas of California have seen reductions in ambient air concentrations by up to 99% attributable to these local efforts. These local programs, administered through the air districts, are the best in the nation. However, they were not designed to reduce GHG emissions.

Which is why a cohesive integrated approach is necessary to meet California's ambitious on-going air quality and 2030 GHG emissions reduction goals. Thus, GHG reductions, as such, should remain the sole jurisdiction of the ARB.

This demonstrates to the public that the state is using the most effective tools available to reach our GHG emissions reduction goals. ARB staff, the Air Resources Board Members, Members of the Legislature and, the Administration can set a leadership example while in forward motion for climate change policies.

OUTSTANDING SCOPING PLAN DEVELOPMENT ISSUES:

As the 'blueprint' is further refined into the 2030 Scoping Plan we suggest ARB reexamine the measures under the mandate set forth in AB 32 to develop the most cost-effective techniques to reduce GHG emissions.

The concept of developing economy influencing climate change policies when the only course of action/influence for stakeholder input is via a 15-day comment period does a disservice to the process. Thus leaving stakeholders with the perception that ARB is not interested in considering input from the regulated industries and other parties as to the best mix and most workable measures that will constitute the best climate change policies for the State.

That seamless transition from the current programs and the 2030 Scoping Plan cannot occur without a more thorough approach to 'Energy Intensive Trade Exposure [EITE]' evaluations and providing the proper recourse for stakeholders to develop alternatives necessary to avoid reliance on the highly uncertain academic studies. In addition, a more exacting analysis of the role AB 197 will play in our climate change policies is needed to create a smoother transition.

Heightened program review is warranted to protect against unintended impacts to the economy and jobs. Since the state seeks to double our GHG emissions reductions, robust and regular oversight and informational hearings must accompany any post-2020 climate program. We believe ARB or a third party should, at a minimum, review each current regulation resulting from AB 32 and determine if, (1) the regulation has accomplished the intended objectives or, (2) if the regulation has failed to achieve its goal and may simply have placed undue burdens on California's businesses and consumers without reducing our GHG emissions levels.

The updated 2030 Scoping Plan needs to include a provision that includes a Peer Review document -- similar to the 2008 Peer Review document. The 2008 Scoping Plan Peer Review document provided valuable feedback when evaluating the ARB's initial Economic Analysis of the Scoping

Plan. These nationally recognized experts on environmental and economic issues raised valid points that should be reviewed prior to the release of the updated Scoping Plan. This would include a review of: (1) cost of scoping plan regulations with regard to the increase in pricing of consumer goods and services; (2) the impact of increased energy costs that will affect California companies and families; (3) the impact on California's competitiveness; (4) the lack of a cost-effectiveness analysis and, (5) technology and commercial scalability review.

A requirement that emission targets sync with similarly stringent commitments by other states and countries. While we appreciate the efforts made by the Administration and ARB to promote and encourage other states and nations to be more aggressive in their climate change policies, the efforts need further study. California cannot go it alone in the goal of reducing GHG emissions. Economics and environmental issues vary from state-to-state as well as between countries. Any attempt to 'sync' at this point will only unnecessarily complicate California's program. Any emission reductions anticipated beyond 2020 should be analyzed and reported in the context of California's reductions against worldwide carbon emission projections.

Reinstate the Economic and Technology Advancement Advisory Committee (ETAAC) to advise the Board and staff on investment in and implementation of technologies that will be necessary if California has any reasonable expectation for reaching its 2030 goals; and,

Establish an Industrial Advisory Board -- In lieu of an Industrial Advisory Board, the ARB should consider the appointment of an Industrial Representative to the Board. This would enhance the Board's expertise and provide additional depth to the Board's knowledge base.

Since Governor Pat Brown, California has worked to avoid an environmental versus business impasse; we need to ensure all needs are being met in a balanced manner to achieve the highest policy and environmental integrity. ARB and stakeholders all have a stake in the integrity and the success of the program.

CCPC looks forward to working with ARB staff to improve the 2030 Scoping Plan and amendments to the cap-and-trade regulation to ensure California's climate change policies objectives are met. Should you have any questions or need anything further from us, please feel free to contact Shelly Sullivan at (916) 858-8686

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