

NATURAL RESOURCES DEFENSE COUNCIL

08-2-6
Leah Fletcher

February 28, 2008

California Air Resources Board
1001 "I" Street
Sacramento, CA 95812

Re: Economic and Technology Advancement Advisory Committee Report

Dear Chair Nichols and Members of the California Air Resources Board,

On behalf of the Natural Resources Defense Council (NRDC), we offer these comments on the Economic and Technology Advancement Advisory Committee (ETAAC) report. ETAAC has been a productive committee, and this report is evidence of much hard work, creativity, and thoughtfulness. We commend the committee for its work to help inform the California Air Resources Board's (CARB) public process to implement AB 32.

AB 32 requires CARB to adopt a "scoping plan" to implement AB 32 by the end of this year. NRDC has provided written recommendations to CARB staff on numerous policies that we urge the Board to adopt as part of the scoping plan, and we continue to participate in CARB's public process. In this letter, we focus our comments only on the ETAAC report's recommendations, and therefore this letter does not represent a complete description of the package of policies we believe CARB will need to adopt in the scoping plan to successfully implement AB 32.

We strongly support the ETAAC report's overarching recommendation that it is important to place a price on greenhouse gas (GHG) emissions, *and* that complementary policies, particularly performance-based programs, will be needed "to spur innovation, overcome traditional market barriers . . . and address distributional impacts."¹ We firmly believe that CARB will need to adopt a package of multiple policy tools that takes advantage of the relative strengths of each of the different tools in order to meet the multiple objectives of AB 32.

These comments are organized by the ETAAC report's sections. We briefly highlight a limited number of ETAAC's most promising recommendations, and identify several recommendations that NRDC does not support.

Financial Sector

Many of ETAAC's recommendations in the Financial Sector are worth pursuing. In particular, NRDC supports the Promotion of California Carbon Trust (2.A), and Clean Energy Innovation and Commercialization (2.B).

¹ ETAAC Report, p. 1-4

Transportation Sector

NRDC strongly supports all of the policy recommendations for smart growth and reducing vehicle miles traveled. As the ETAAC report observes in its recommendation for Smart Growth and Transit Villages (3.A), a regional planning framework with strong incentives for infill and transit oriented development would be effective in reducing vehicle miles traveled. Considering ETAAC's market expertise, the committee's support for Pay-As-You-Drive Insurance (3.B), Congestion Charges (3.C), and Employer-Based Commute Trip Reductions (3.D) is particularly noteworthy.

Industrial, Commercial & Residential Energy Use

NRDC strongly agrees with the ETAAC report that the state must strengthen and expand policies to increase energy efficiency and the use of renewable energy. We do not, however, support Customer Choice of Electric Service Provider (4.E) as a policy tool that will increase renewable energy supply or use. NRDC is unaware of any evidence that direct access will result in reduced GHG emissions, or specifically, achieve the 33% or 50% renewables targets claimed. In fact, NRDC is quite concerned that direct access *could increase* GHG emissions or at least make it more difficult to achieve targeted levels.

NRDC strongly supports ETAAC's recommendations for recycling and composting, including recommendations 4.J through 4.N. Recycling and composting have the potential to significantly reduce California's greenhouse gas emissions. ETAAC's recommendation to Evaluate and Improve Policies for Qualified Waste Conversion Technologies (4.O), however, is problematic. "Waste conversion" technologies range from traditional incineration to gasification and other non-combustion technologies to anaerobic composting. Many of these technologies are largely unproven and frequently compete with or undermine recycling efforts for paper and other combustible materials. While we are open to the possibility of a specific technology developing that may help deal with non-recyclable or non-compostable wastes, recycling, composting, and waste reduction are strongly preferable methods of handling waste.

Electricity and Natural Gas Sector

NRDC strongly supports measures aimed toward increasing energy efficiency and increasing the Renewable Portfolio Standard to 33 percent by 2020. We also support the Renewable Energy Transmission Initiative as well as a coordinated review and permitting process, Competitive Renewable Energy Zones (5.D). We would oppose the latter process if it imposed a foreshortened timeframe for the completion of environmental reviews and issuance of permits.

Agricultural Sector

With respect to ETAAC's recommendation on Manure-to-Energy Facilities (6.A), we agree that the use of digesters to reduce GHGs is appropriate and should be encouraged. However, care must be taken to avoid inadvertently creating incentives for the proliferation of large concentrated animal feeding operations. Specifically, if digesters are found not to be cost effective for smaller dairies, CARB policies should not encourage the consolidation or expansion of small facilities in order to improve cost-effectiveness. For example, allowing the use of digesters as an offset could create additional incentives to build larger facilities or to concentrate smaller facilities

which could more cost-effectively install digesters. CARB policies should protect and encourage sustainable livestock facilities instead of creating incentives for moving away from sustainable practices.

Forestry Sector

Reforestation and Forest Management for Enhanced Carbon Storage (7.B) is a critical aspect of reducing California's greenhouse gas emissions, and we strongly endorse this recommendation. The recommendation to Link Forest Fuels Management and Biomass Utilization (7.A), however, is flawed. The notion that forest thinning, as practiced over the past decades, reduces net GHG emissions is not supported by the evidence. Until and unless emissions reductions from forest thinning can be scientifically demonstrated and the impacts measured using credible protocols, forest thinning and/or fuels reduction should not be considered an acceptable emissions reduction measure for AB32.

Water Sector

NRDC strongly supports ETAAC's recommendations to make more efficient use of water. Policies to improve water efficiency present significant untapped opportunities to reduce emissions, save consumers money, and conserve valuable water resources.

ETAAC Review of Market Advisory Committee Report

We support many of the ETAAC's comments on the Market Advisory Committee's report. We agree that limits on offsets would help encourage action and innovation within the capped sectors (p. 9-5). Complementary regulatory policies, not offsets, should be used to achieve emission reductions in sectors not covered by any cap and trade program, in order to contribute additional reductions towards the 2020 limit.

We support ETAAC's suggestions that a cap should include as many sectors of the economy as is practical (p. 9-2), that grandfathering is a bad method of allocation to promote early action, innovation, and clear price signals (p. 9-3), that auction revenues should benefit disadvantaged communities (p. 9-4), that banking should be allowed (p. 9-6), and that borrowing should be limited (p. 9-7).

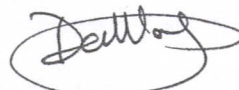
We oppose a price-based safety valve because it would undermine the environmental integrity of the cap. We agree with the Report's analysis of the shortcomings of a price-based safety valve, and agree that an entity like the Carbon Trust that can help smooth out any price volatility is far preferable (p. 9-8.)

Thank you for considering our input as you review the ETAAC Report.

Sincerely,



Leah Fletcher
Project Attorney



Devra Wang
Director, California Energy Program