



June 22, 2012

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

RE: Investment of AB 32 Cap-and-Trade Auction Proceeds

Dear Chairman Nichols:

Thank you for the opportunity to comment on the use of Cap-and-Trade Auction Proceeds at this time. Environmental Defense Fund (EDF) advocates for the development of carbon markets that include the use of high quality offsets.

We recommend that the Board allocate a portion of auction proceeds to purchase emission reductions from agricultural producers who are early adopters of climate beneficial management techniques and because of their early adoption of these techniques, may not be eligible to sell offsets.

Currently, we are working collaboratively to develop emission reduction protocols in agriculture and encourage the Board to strongly consider adopting a set of these protocols to create the opportunity for agriculture to play a strong role in the AB32 trading program. In order for an offset program in agriculture to thrive, it is essential that the most innovative and risk tolerant producers, those that pursue beneficial management practices, be proponents within their industry for widespread adoption of these techniques. Importantly, these farmers would otherwise still be able to change their practices back to non-climate beneficial conditions, so investment of allowance proceeds in this manner will lock in the GHG mitigation strategy they are currently pursuing. Additionally, investing auction proceeds to these producers, who may be ineligible to participate in offset markets because they changed their practices too early, would go a long way to motivate them to show other farmers that pursuing climate friendly techniques will not impair yield value or quantity—a principal concern and barrier to widespread future adoption of GHG reduction practices in the agriculture community.

We stand ready to work with the Board to help implement a fair and scientifically rigorous mechanism for implementing such a program.

Sincerely,

Eric Holst
Senior Director, Working Lands Program
Environmental Defense Fund