

April 10, 2009

Mary Nichols
Chair, California Air Resources Board
1001 I Street
Sacramento, CA 95814

ORIGINAL: Board Clerk
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Chair

RE: CARB Implementation of AB 32 – Low Carbon Fuel Standard – Concerns from California’s Small Businesses

The AB 32 Small Business Coalition opposes moving forward with regulations to implement AB 32 until the steps listed below are taken. In passing the Scoping Plan, the California Air Resources Board (CARB) made a commitment to minimize the impacts of AB 32 to our state’s small businesses – but we are highly concerned that the Low Carbon Fuel Standard (LCFS) has been pushed forward on a rushed timeline without demonstrating how the regulation will meet AB 32’s stated goal of minimizing costs and maximizing benefits. Without proper analysis and precaution, the LCFS could put California’s fuel supplies at risk leading to higher gasoline and diesel prices, and severe impacts on small businesses.

Condition One: Evaluating Cost-Effectiveness

CARB needs a credible economic analysis of the true costs and benefits to help guide the regulatory process toward implementing AB 32 in the most cost-effective way. The adopting resolution for the Scoping Plan specifically called for a re-evaluation of cost-effectiveness and impacts to small business, to be delivered by December 31, 2009. However, this information must be available prior to designing regulations that will fundamentally alter California’s economic and social landscape. The analysis should be used to inform the process and decision-making, rather than presented after the fact.

CARB’s cost-effectiveness analysis of the LCFS falls short of providing a credible estimate in the following ways:

1. The analysis does not account for increased costs to small business through fuel prices or equipment investments, or increased costs due to limited supplies of fuel and electricity.
2. Information regarding the timing of capital investments and annual expenditures to repay those investments was not provided.
3. The analysis fails to provide methods for minimizing impacts to small business.

Not only the Scoping Plan, but California’s Health and Safety Code requires review of how new fuel standards will impact fuel supplies, fuel prices, fuel performance and the competitiveness of California’s businesses. This analysis is critical in order to develop regulations that minimize impacts and protect small businesses.

Greg Freeman, an economist with the Los Angeles Economic Development Corporation, referred to the importance of a credible economic analysis for AB 32: “We’re talking about a transformation of the way of life. There’s going to be transitional costs. We

can't have the debate about whether the cost is worth paying unless we have a realistic idea of what the cost will be." The small business community needs to see a fuller analysis of the costs and benefits before moving forward with the regulatory process for AB 32.

Condition Two: Protecting Competitive Equality

California needs AB 32 to coincide with a growth strategy. Instead, CARB is adding major regulatory burdens under AB 32 to the long list of challenges for businesses in California, a move that will surely limit our economic growth success.

CARB is poised to adopt the first regulation even though it has completely ignored the Scoping Plan requirement to consider greenhouse gas emissions reduction programs in other states, localities and nations. How can our small business remain competitive regionally if California fails to coordinate with other states as proposed by the Western Climate Initiative?

Condition Three: Benefits Before Costs

The Scoping Plan listed many benefits of a California carbon emission reduction program and small business supports the goal of reducing emissions. However, the plan does not reveal how those benefits will materialize and the LCFS process is being rushed without giving enough time for that information to be explained. The LCFS regulation process should be delayed until CARB can set the right example for how all the AB 32 regulations will result in benefits to small business – using sound science and economic analysis.

Summary: When AB 32 was enacted in 2006, it explicitly promised to bring economic benefits to our state and to minimize impacts to small businesses. So far we haven't seen these promises being fulfilled. The costs of AB 32 are certain while the benefits of the program have been speculative. CARB needs to guarantee that the promised benefits to California's economy in the form of business growth and new jobs will actually materialize. Without these benefits, the costs of the program are not manageable.

Sincerely,

Betty Jo Toccoli,
California Small Business Association, California Small Business Roundtable

John Kabateck,
National Federation of Independent Business – California

Aubry Stone,
California Black Chamber of Commerce

Joel Ayala,
California Hispanic Chamber of Commerce

Willie Galvan,
American GI Forum of California

Matt Sutton,
California Restaurant Association

John Handley,
California Independent Grocers Association

Joel Fox,
Small Business Action Committee

CC: Cindy Tuck
Linda Adams
Darren Bouton
Victoria Bradshaw
David Crane
Susan Kennedy
James Goldstene
Governor Arnold Schwarzenegger