



AB 32 Implementation Group



Working Toward Greenhouse Gas Emission Reductions
And Enhancing California's Competitiveness

December 10, 2009

Mr. Steve Cliff
Manager of Program Development Section
Office of Climate Change
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Dear Mr. Cliff:

Thank you for the opportunity to comment on the plans for the updated AB 32 economic analysis. The AB 32 Implementation Group is a coalition of more than 185 organizations working for California global warming plan that meets AB 32's greenhouse gas reduction goals in a balanced and cost effective way.

Many of the peer reviewers for the economic analysis had good ideas for improving the analysis this year. We encourage you to consider their recommendations and use the new analysis to update the Scoping Plan for AB 32. As a blueprint for AB 32 implementation, the Scoping Plan timelines and recommended measures should be adjusted as appropriate based on new economic analysis. The following specific questions and comments more fully explore those areas in need of improvement to better inform AB 32 implementation.

The following questions relate to the process for adopting a new analysis:

- Will there be the same peer review process on the revised economic analysis as occurred on the prior Scoping Plan economic analysis?
- When will stakeholders have a chance to review the assumptions in the economic analysis? We hope to be able to review the inputs at least a few weeks before the analysis is complete.

With regard to the methodology of the analysis:

- Will the new study address the shortcoming identified by the Legislative Analyst's Office (LAO) that it did not include costs of all the emission measures in the Scoping Plan?

- Will the new study address the last study's shortcoming identified by the LAO that it did not include sensitivity analyses to test the accuracy of its assumptions?
- The LAO criticized the last economic analysis because economic analysis played a limited role in the development of the Scoping Plan. Selection of particular measures and the mix of measures were not influenced by cost-effectiveness considerations or macroeconomic analysis. How will the new study address this critique?
- The LAO criticized the last study because it failed to lay out an investment pathway to reach its goals for GHG levels in 2020. Such a pathway would describe year-by-year the investments required by implementation of the plan and the timing of the economic return on those investments. Will the new study include such an investment pathway?
- The LAO criticized the last study because CARB overstated the GHG emissions by not accurately accounting for non-AB 32 emission measures such as the Pavley measures. How will the new study address this question?
- The LAO criticized the last plan because it inconsistently attributed costs and savings of measures. Will the new study address this error?
- A peer reviewer of the last study noted that a key issue is how electricity price increases would impact manufacturing jobs in California because the microeconomics literature finds that increased energy prices retard manufacturing employment growth. Yet the last study found jobs would increase. How will the new study show how higher energy prices will impact job growth?
- Several public utilities have conducted a study estimating that AB 32 will increase electricity rates up to 60%. How will this new study show the impacts of these energy price increases on the economy and jobs?
- One peer reviewer raised the point that if California unilaterally regulates carbon while the rest of the nation does nothing, does the optimistic "negative cost" result stand up? What firms will leave California? What new firms who would have moved to California in the absence of AB 32, will now choose to locate in a state without carbon regulation? At the workshop it was described that energy intensive trade exposed industries have been surveyed by staff, but no information has been provided. How will the new study address these questions?

- We believe that impacts in the early years of the program will be higher than in later years - that projected cost-savings will lag the upfront investment costs. Will the economic analysis include a range of impacts over time between now and 2020? The analysis should also account for impacts on the major economic sectors of the state to determine differential job and economic impacts.
- Finally, we urge that the economic analysis be informed by updated forecasts of the California current and prospective economy.

Thank you again for the opportunity to comment.

Sincerely,



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