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WEST COAST ENVIRONMENTAL AND ENGINEERING



December 10, 2008

Open letter to Ms. Mary Nichols Chair, California Air Resources Board 1001 "I" Street Sacramento, CA 95814

Dear Ms. Nichols:

As leaders of California's major business and taxpayer organizations, we believe it is important to bring to your attention our serious concerns about the impact the AB 32 Scoping Plan will have on companies and workers in this state. We believe the Scoping Plan seriously underestimates the costs that the plan will impose on California consumers and businesses, and the negative impact this will have on jobs and the economy. We urge California Air Resources Board (CARB) to conduct a new economic analysis to make sure the plan is the right way to protect California jobs and the economy while reducing greenhouse gas emissions.

The current plan will transform how we use energy in California, affecting every sector of our economy. Requiring the purchase of energy efficient technologies, imposing land use restrictions, increasing renewable electricity generation, changing the formulation of gasoline and limiting emissions through a cap-and-trade program are just part of the most ambitious regulatory program ever undertaken in California.

This economy-changing plan will not be cheap or easy to accomplish.

California companies and families will pay billions of dollars in higher electricity, natural gas, transportation fuel and consumer product costs. Policies aimed at residential and commercial buildings will increase the cost of a typical new home by \$50,000 and drive up costs for commercial and industrial buildings.

The business community has been skeptical of the CARB staff's findings that one of the most ambitious regulatory programs ever proposed would not increase costs.

Others also doubt this rosy conclusion. Independent economists asked to review the plan concluded it underestimates costs and overestimates benefits. The California independent Legislative Analyst's Office (LAO) says that the CARB analysis is biased, incomplete and inadequate. These experts are also concerned that CARB staff failed:

- To choose emission reduction strategies that are cost-effective.
- To conduct a cash flow analysis of how and when higher energy costs would impact particular companies, and how this would impact the competitiveness of these companies.
- To adequately compare the cost of the plan's heavy reliance on direct regulation with lower cost options such as the broader use of offsets and cap and trade systems.



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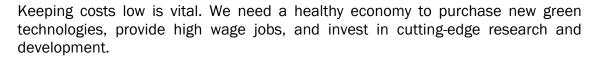


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For this reason, we believe the CARB Board should hear and respond to the concerns of these independent expert economists and the LAO prior to voting on the plan. In addition, we recommend that early next year CARB engage an independent team of experts to prepare a new economic analysis that addresses the deficiencies identified by the LAO and your expert economists.

A new economic analysis and improvements you can make in the Scoping Plan will help Californians feel confident that you are developing a plan that is the best possible for the environment and the economy.

Sincerely,

AB 32 Implementation Group Aera Energy LLC--Fee Lands Group American GI Forum American Chemistry Council Associated General Contractors of California Automotive Aftermarket Industry Association **Black Business Association** Building Owners and Managers Association of California California Alliance for Jobs California Apartment Association California Black Chamber of Commerce California Building Industry Association California Business Properties Association California Chamber of Commerce California Construction & Industrial Materials Association California Forestry Association California Hispanic Chamber of Commerce California Independent Oil Marketers Association California Independent Petroleum Association California League of Food Processors California Manufacturers and Technology Association California Metals Coalition California Natural Gas Association California Nevada Cement Association California Restaurant Association California Retailers Association California Small Business Alliance California Small Business Association California Taxpayers' Association



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