



Automobile Club of Southern California

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November 26, 2008

Chairman Mary Nichols
California Air Resources Board
1001 I Street
P.O. Box 2815
Sacramento, CA 95812

ORIGINAL: Board Clerk
Copies: Executive Officer
Chair

Re: Comments on Climate Change Proposed Scoping Plan

Dear Chairman Nichols:

The Automobile Club of Southern California appreciates the opportunity to comment on the California Air Resources Board's (CARB's) Climate Change Proposed Scoping Plan. Achieving the reductions in greenhouse gas emissions as required by AB 32 will certainly be a major challenge for all of us in California. As we did with our comments on the Draft Scoping Plan, the Auto Club, with six million members and over 7,000 employees working in 101 facilities throughout Southern California, has attempted to provide the perspective of both a representative of transportation system users as well as a major employer as we prepared our comments.

In our previous comments, we indicated our support for the comprehensive approach CARB has taken in analyzing the amount of greenhouse gas emissions generated by each major sector and in developing recommended strategies for reducing emissions in each of those sectors. We concur that the problem requires a comprehensive solution and that each sector should be responsible for its share of emissions. As the process moves forward, we encourage CARB to maintain this concept of proportionality so that the strategies for each sector are designed to address that sector's relative share of the overall greenhouse gas emissions.

As pointed out in a recent analysis by the Legislative Analyst, the emission reduction strategies recommended in the Proposed Scoping Plan heavily rely on technology-related innovations and improvements, such as the implementation of the Pavley regulations on light-duty vehicle greenhouse gas emissions. As we stated earlier, we concur that, for the transportation sector, it is much more likely that significant greenhouse gas emission reductions will come from more efficient vehicles, cleaner

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fuels, and alternative fuel and propulsion systems than from widespread changes in travel behavior and commuting patterns. That has been the pattern for success in emission reductions that we have seen over the past several decades and it is likely to be the path to success in reducing future greenhouse gas emissions as well.

The thrust of our comments on the Draft Scoping Plan still apply to the Proposed Scoping Plan. The Proposed Scoping Plan does include additional detail and refinements to the recommended strategies. However, the dramatic worsening of the state's economic situation in the short time period between the Draft and Proposed Scoping Plans has increased our level of concern over the potential economic impacts to individuals and businesses statewide as they struggle to keep their heads above water in these difficult financial times. Because of these concerns, we would emphasize the following comments and concerns:

Need for Ongoing Refinement to Economic Analyses

The economic analysis work was not completed at the time the Draft Scoping Plan was circulating for comment. The initial economic analysis done to date indicates a positive net benefit from the implementation of the various greenhouse gas emission strategies. Of course, such macroeconomic modeling work is dependent on many key assumptions. While questions have been raised regarding these assumptions, the key point is that further work needs to be done in this area to ensure that the new requirements being imposed on individuals and businesses represent the most cost-effective strategies.

The Legislative Analyst raised a very important point in his analysis. This point was that the economic analysis was done after the initial set of recommended strategies was developed. The Draft Scoping Plan included strategies which generated reductions in greenhouse gases without consideration of economic impacts. The economic analysis was then done on this set of strategies and found an overall net economic benefit – most of which was related to the implementation of the Pavley standards. The conclusion drawn was that the Scoping Plan should be implemented since it is estimated to achieve the greenhouse gas reductions required and produce a net economic benefit.

This is a very different approach than examining various strategies individually, both in terms of greenhouse gas emissions and economic benefit, and developing a plan focused on implementing the most cost-effective strategies. We would encourage CARB to continue to refine and analyze these strategies as the process of developing regulations moves forward, so that the strategies that are ultimately implemented are based on the best available scientific and economic analyses to ensure that the most cost-effective and technologically feasible strategies are being implemented to both reduce greenhouse gas emissions and protect the California economy. There needs to

be a complete understanding of the costs and benefits associated with each strategy. In these difficult economic times, CARB needs to make sure that California businesses can remain competitive while we reduce greenhouse gas emissions. We can't solve greenhouse gas problems by driving businesses to other states.

While the initial economic analysis indicated a net economic benefit over time, many of the proposed strategies could lead to significant near-term increases in the cost of driving, the cost of vehicles of all types, and the cost of homes and commercial buildings. The up-front cost increases may be offset over time by reduced operating costs and efficiency improvements, but these types of tradeoffs must be clearly identified so that the overall costs and benefits of the plan can be more fully assessed. Additional analysis work is needed so that the public can better understand how many months, or years, it will take to recoup the up-front investment in new cleaner vehicles or more efficient equipment that will be required.

Promoting Efficiency Improvements in Buildings

The Proposed Scoping Plan appropriately calls for energy and water efficiency improvements in buildings throughout California as part of the set of strategies to reduce greenhouse gas emissions. As stated above, we encourage CARB to continue to refine its analysis work to help business owners in identifying the most cost-effective strategies to reduce greenhouse gas emissions and in understanding the up-front costs and the associated payback period from efficiency savings. In implementing these building-related strategies, we continue to encourage CARB to provide building owners with maximum flexibility to develop innovative approaches to meet the emission reduction goals. Financing is a key barrier preventing more rapid implementation of efficiency improvements. We would encourage CARB to pursue innovative funding options that would help business owners to spread the up-front cost of efficiency-related improvements over time so that the savings in monthly energy and water operational costs can be used to help offset the cost of financing the capital improvements. Additional tax credits or other incentive programs, that CARB could help initiate, would provide additional incentives for business owners to accelerate the implementation of efficiency improvements. In addition, buildings should be included as part of a voluntary offset market to further incentivize the reduction of greenhouse gases.

Provide Maximum Flexibility in the Implementation of Regional/Local Transportation Targets

While most of the greenhouse gas reductions will be coming from improvements in technology, changes to local land use development patterns and the ongoing refinements of long-range regional transportation plans to better address greenhouse gas reductions can play a part in the overall achievement of greenhouse gas reduction goals. Because each urban area has its own set of constraints and opportunities,

regulations in this area should be focused on setting emission reduction goals or targets for each area to achieve, with each area being given maximum flexibility in how they achieve those targets. The recently enacted SB 375 provides the initial direction on how this particular strategy will be implemented. However, the approach is new and much work remains to be done to understand the contribution of various transportation improvements on overall greenhouse gas reductions. Despite these uncertainties, the emission reductions expected from this strategy more than doubled from the Draft to the Proposed Scoping Plan. This should certainly be treated as a "soft" number until additional analysis work can be conducted.

The focus of the Proposed Scoping Plan in this area is on the reduction of vehicle miles of travel (VMT). While this is an important consideration, we feel it also is important to consider congestion relief improvements that can have the effect of reducing the vehicle hours of travel, or the time that vehicles are on the road with engines idling. The plan should recognize that, as vehicles become cleaner and more fuel efficient, reduction in VMT will not be as critical in reducing greenhouse gas emissions. Regional planning agencies and local governments should be allowed to work together on the development of coordinated land use and transportation policies, projects and programs that best fit the needs and requirements of each metropolitan area and meet the greenhouse gas emission targets to be developed.

Recognize Constraints on Transportation Revenues

An important issue that needs to be better recognized in the Scoping Plan relates to the current limitations and constraints on transportation funding. Transportation revenues have not been keeping pace with the growing needs to operate, maintain, rehabilitate, and improve the state's transportation networks. In addition, state and federal laws control the degree to which existing funds can be shifted between operations, maintenance, and construction and between travel modes. The effort to reduce greenhouse gas emissions will likely lead to recommendations for expanded transit services, which will require additional revenue for both capital projects and ongoing operations.

However, transportation revenues are currently inadequate for all modes of transportation. The current financial situation at both the state and federal levels is only making the situation worse. Additional transit revenues are critical if transit is to do its part in helping to reduce greenhouse gases. But simply reallocating highways dollars to transit or asking motorists to pay more for transit will not help. If we don't address growing road maintenance, rehabilitation, and safety needs at the same time, the result will be increased congestion and a related increase in greenhouse gas emissions.

The transportation-related strategies in the Proposed Scoping Plan are projected to result in reductions in VMT and increases in fuel efficiency. Both of these trends will

have the effect of reducing transportation revenues in the future, making it even more difficult to accomplish the transportation improvements needed for the Scoping Plan to be successful. CARB should clearly identify these constraints on transportation funding as part of the Scoping Plan and include appropriate strategies for providing needed additional revenue for the transportation improvements needed to make CARB's plans successful, including revenues that may be generated from the cap-and-trade program (depending on how it is implemented) or other sources.

The Auto Club looks forward to working closely with CARB and the wide range of stakeholders interested in the implementation of feasible and cost-effective strategies to reduce California's greenhouse gas emissions.

Sincerely,

A handwritten signature in cursive script, reading "Steve Finnegan". The signature is written in black ink and is positioned above the printed name and title.

Stephen A. Finnegan
Manager, Government Affairs
and Public Policy