

November 17, 2008

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

Dear Ms. Nichols:

Upon review of the final Climate Change Scoping Plan put forth by the California Air Resources Board (CARB), we remain concerned that it does not adequately assess the impacts to small businesses. With a 7.7 percent unemployment rate and all-around tough economic times, we are worried that California's small businesses will be saddled with billions of dollars in required upfront investments necessary to implement AB 32. Small businesses often operate on very small profit margins and we do not have the luxury of waiting several years to see a return on our investments. The unique challenges and circumstances of California's small businesses need to be examined and evaluated in greater depth before CARB moves forward with the actions and guidelines in its proposed Scoping Plan.

The proposed Scoping Plan increases taxes, energy costs, fuel costs, vehicle costs and building costs, which will hurt small businesses that play a vital role in California's economy. While we are hopeful that the climate change initiative will create new jobs and increase revenue, we are concerned about the significant short-term impacts and the undetermined long-term costs indicated in the plan. Because the effects of the plan will not be uniform across all sectors, detailed analysis and understanding of the individualized costs and benefits to each sector or industry is critical.

There is not a straight correlation between who will pay the costs and who will receive the benefits under AB 32. The recent comments to CARB by Judson Jaffe and Jonathan Borck of the Analysis Group noted that "While all businesses will experience increased energy prices as a result of AB 32's implementation, the forecasted energy-efficiency improvements will be unevenly distributed and may occur even without AB 32's implementation. As a result, some businesses will inevitably experience a net increase in their energy costs and a reduction in their competitiveness as a result of AB 32."

Jaffe and Borck found that businesses must reduce their electricity and natural gas use by no less than 10 percent and 7 percent respectively in order to just break even and compensate for the increases in price that will come under AB 32. For the many businesses that can't achieve the efficiency changes quickly, they will be burdened with higher bills for gas and electricity that will place additional strain on their already tight budgets. As CARB acknowledges, small businesses "typically spend more on energy as a percentage of revenue compared to larger enterprises" – meaning the small business community will be disproportionately hurt by these cost increases.

Unfortunately, the significant costs associated with the Scoping Plan have not drawn the appropriate level of attention from CARB thus far. We understand that CARB sees many benefits that will come with AB 32 implementation, and we look forward to experiencing many of those benefits as well. However, by glossing over the costs that will accompany the benefits, we are reducing the chances that California actually creates a successful climate change model.

Only with straightforward acknowledgment of the costs will California's experts and decision-makers be able to face the challenges head on and identify creative and workable solutions. California needs to create a climate change program that will be implemented effectively and replicated elsewhere, not one that will have to be abandoned when the state suffers too severely from cost impacts. Therefore, we recommend that CARB fully understands the cost impacts of the AB 32 implementation policies before approving the plans and moving forward. We believe that it is possible to reduce our greenhouse gas emissions without putting an unnecessary burden on small businesses and consumers.

We recognize that the Scoping Plan lays out the direction and steps of AB 32 implementation and is not itself the regulations with which small businesses must comply. As your agency begins the rulemaking and regulation process we hope that you will place the highest value on adopting the most cost effective measures to meet the goals of AB 32. We appreciate the steps CARB has taken to better educate small businesses about the Scoping Plan and understand the views of these vital economic engines. Also, we look forward to participating in this process and hope that we can work together to craft a plan that protects the environment while also promoting economic growth.

Thank you for your attention to this very important issue.

Sincerely,

John Kabateck
National Federation of Independent Business - California

Mary Griffin
National Association of Women Business Owners – Sacramento Valley Chapter

John Handley
California Independent Grocers Association

Matt Sutton
California Restaurant Association

Joel Fox
Small Business Action Committee

Larry Dick
Riddle Service Companies

Betty Jo Toccoli
California Small Business Association

Joel Ayala
California Hispanic Chamber of Commerce