



**Stephen D. Burns**  
Manager, California  
Government Affairs

**Policy, Government &  
Public Affairs**  
1201 'K' Street, Suite 1910  
Tel 916-441-3638  
Fax 916-441-5031  
Stephen.Burns@chevron.com

November 19, 2008

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

Dear Board Members:

The AB 32 Scoping Plan is a bold and far-reaching proposal with significant impacts on California's economy, fuel supplies and technology base. Chevron appreciates the thoughtful approach taken by the CARB staff, particularly in light of the tight timeframe established in the legislation. We look forward to working with staff in the implementation of the Scoping Plan and the development of solutions to the many remaining policy decisions required.

As a leader, California must develop a credible and viable climate change program. The hallmarks of such a program are threefold. The first is that the program must be based on the most cost-effective set of policies. The second is that the program must drive innovation. The third is that the program must clearly focus on greenhouse gas reductions by addressing environmental justice concerns independently from the cap and trade (C&T) program. We believe that with a few exceptions, the Scoping Plan provides an outline that will allow CARB staff to develop regulations that will meet these three criteria.

### **Driving Innovation**

We agree that it is important to drive innovation and to have focused regulations outside the C&T program that develop technologies in critical areas, especially if we are to meet the Governor's 2050 goals. Chevron is willing to do our share and that is why we support the LCFS. We would, however, urge CARB to review the benefits and risks of including transportation fuels and natural gas in the trading program before executing its planned inclusion in 2015. By keeping fuels outside of the C&T program, CARB can provide the correct incentives for innovation and the development of advanced alternative fuels and also ensure that this sector is not subject to overlapping, duplicative or conflicting requirements. Careful analysis is needed to assure that CARB will minimize the risk of causing unintended constraints on supply and price volatility of transportation fuels.

### **Cap and Trade is Critical to Program Success**

Chevron supports California's decision to establish a C&T program. We realize that significant program design elements have yet to be addressed. Moving forward, CARB must 'get it right', and demonstrate leadership by developing a C&T program based on a cost-effective set of policies. This can be done by avoiding direct measures on stationary sources under the cap; by ensuring a robust and liquid offsets market that allows the use of credits generated in other credible programs; by minimizing auctions, particularly in the early years of the program; and, by including cost containment mechanisms (e.g., safety valves, banking of credits).

As a leader, California needs to choose policies that minimize costs. To achieve this, it is critical that CARB minimize additional mandatory measures for industries that are already part of the C&T program, as well as avoid limits on the C&T program to force additional reductions. In developing the Plan, CARB has already taken a close look at the industrial sector's ability to reduce GHG's and concluded that a 34.4 MMTCO<sub>2</sub>e C&T program is appropriately sized by reviewing mitigation opportunities in each of the major capped sectors.

November 19, 2008

Page 2

**Co-benefits and Environmental Justice**

We urge CARB to separate environmental justice issues from the C&T program. We understand the concerns, but mixing the specific programs may fail to achieve either of the goals. At worst, it will establish conflicting and potentially limiting goals. Additional direct regulations – or significantly constraining offsets – will neither enhance the reductions of co-pollutants nor enhance the C&T program. It will instead undercut these efforts. Instead, CARB should focus on separate approaches to addressing environmental justice concerns.

We look forward to working with you as California continues to chart its path to reductions in greenhouse gases.

Best regards,

Stephen Burns

cc: Board Members of CARB