Los Angeles Area
Chamber of Commerce

Los Angeles Area Chamber of Commerce Recommendations: California Air Resources Board Draft AB32 Scoping Plan

Market Based Systems
The Chamber supports market-based approaches to reducing green house gas emissions and urges CARB to avoid costly and restrictive command and control measures. A market system will create a sufficient incentive for facilities to find and implement cost-effective reductions. The Chamber suggests the following concepts to develop a market based system:

- Phase in a trading program to facilitate a smooth transition to a carbon constrained economy. Use carbon intensity performance standards instead of imposing facility caps until there is a broad regional or national green house gas market program developed. Using performance standards avoids the need to develop starting allocations based on limited information about existing emissions. An intensity standard should ensure that each industry sector bears its own proportionate responsibility as determined by CARB and does not result in re-allocations between sectors due to growth.

- Permit facilities to average and trade emissions across all regulated sectors to ensure low cost compliance options.

- Issue allowances administratively. Requiring facilities to purchase allowances by auction will dramatically alter a facility's cost profile and will cause some facilities to curtail operations having a significant business and employment impact.

- Avoid requirements for offsets to comply with percentage or geographical restrictions. All verified offsets should be eligible for compliance use across sectors. California can maintain its national and international leadership role by allowing and even encouraging the use of offsets generated out-of-state.

Compliance
The Chamber recognizes that ensuring compliance with the AB 32 program is necessary to achieve real green house gas emissions reductions. CARB's approach to compliance will greatly impact the cost of credits and ability for industries to effectively mitigate emissions. The Chamber suggests the following considerations:

- Avoid placing difficult or additional compliance burdens on stationary sources (35 MMT) unless they can access low cost green house gas reductions in other sectors and jurisdictions. A hybrid approach (i.e., imposing both specific performance mandates AND a declining cap) with out ensuring good multi-sector access to offsets will dramatically increase compliance costs will subsequently raise the cost of generating tradable green house gas reductions.

- Avoid mandatory facility audits and controls. Such measures are not necessary to ensure compliance in a market based system.

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- Handle compliance of power generation facilities with extreme care to ensure the reliability of the electrical grid.

- Help regulated sources achieve additional cost reductions by giving credits for energy efficiency improvements and renewable energy investments.

- Verified carbon off sets should come from a diverse variety of sources including technological improvements, sequestration and conservation of diverse habitats that can be verified as carbon sinks. Additional sources should be identified through municipal and other waste diversion and recycling programs.

CEQA and Land Use Planning

The CEQA process and land use planning are powerful tools to achieve green house reductions. Clarifying AB 32 compliance in CEQA is as vital to AB 32 success as engendering smart growth policies. The Chamber suggests the following considerations:

- Clarify that AB 32 compliant projects are free from additional or separate CEQA review or mitigation for green house gas emissions. Pending AB 32 implementation, the Chamber urges CARB to issue guidance that projects which outperform traditional carbon intensity levels are not considered to impose an adverse environmental impact.

- Exempt projects under CEQA that create new green house gas emissions but provide the state with technologies to meet AB 32 goals. i.e. facilities that manufacture low carbon fuels, emissions control devices or sequester green house gasses.

- Give preference to land use policies that help increase new building stock. New residential, commercial and industrial buildings are more energy efficient.

- Promote policies to reduce vehicle miles traveled by streamlining the approval process or projects that increase urban density, transit oriented development, walkability and access to neighborhood services. Provide for diverse transportation options through incentives to increase investment in robust public transit systems.

Incentives for New Technologies

Technological innovation will drive the success of AB 32, but new technologies face significant start-up challenges. CARB is in a powerful position to accelerate new technological innovation to reduce carbon emissions and bolster the burgeoning clean tech sector. The Chamber urges CARB to do the following:

- Promptly issue greenhouse gas reduction credits to jump-start critical low-carbon advanced technologies.

- Issue “innovative technology credits” to help bring new technologies into use more rapidly. Such credits issued in advance of implementation would provide access to capital and offset startup costs.