



July 31, 2008

California Environmental Protection Agency  
Air Resources Board  
1001 I Street  
Sacramento, CA 95812  
Attention: Mary Nichols, Chair

Dear Ms. Nichols:

Thank you for the opportunity to comment on the Climate Change Draft Scoping Plan issued by your office last month. The California Retailers Association represents a broad base of retail companies, including supermarkets, chain drug stores and general merchandise retailers. CRA member companies operate over 9,000 stores with sales in California in excess of \$100 billion annually. Our members are continually striving to reduce their operating expenses so as to provide competitively priced products to their customers. One way they've been able to achieve this is through greater energy efficiency. It is within this context that we have specific comments to the Climate Change Draft Scoping Plan.

Specifically, Section 2.C.3 of the Plan discusses offsets. In order to provide the greatest benefit with the least cost, in order to provide the greatest benefit with the least cost, we urge that the following guidelines be adopted as part of AB32 implementation regarding carbon offsets:

- 1.) Energy efficiency projects should be included as an acceptable method of creating carbon offsets. In order for our members to complete an energy efficiency project, it must first meet their internal hurdle rate (minimum payback period or internal rate of return). In most cases, this hurdle rate is high. This assures that they are making the most prudent use of limited capital. Including the value of a carbon offset in the financial model will allow for more projects to be completed as the monetary benefits of the offset will push the project above the hurdle rate.
- 2.) In order for our members to increase their energy efficiency efforts it is imperative that they receive all the environmental attributes of a project, regardless of whether they are using funds from utility programs. As the utility programs are funded from the rate base, the money is simply flowing back to the customers who have initially provided it. As mentioned previously, in order for our members to achieve significant energy efficiency within their operations, it is imperative that they receive all the benefits available. This includes both the funding from the utility programs and the value of the carbon offset.
- 3.) There should be no limit placed on carbon offsets that initiate from approved projects located within WCI member states and provinces. We believe that the best opportunity

for success is to create real and permanent reductions in GHG emissions by the least cost method. Carbon offsets will play a valuable role by providing needed liquidity to the market which in turn will drive down the cost of reductions.

- 4.) The energy efficiency work that has already been completed by our members needs to be acknowledged. The best way for CARB to recognize the voluntary efforts our members have taken is to allow these projects to be eligible for carbon offsets. We recommend that all projects (subject to verification) completed after December 31, 2006 be eligible.
- 5.) Project verification must be streamlined and cost efficient. We advocate that a standards based approach be used in the verification process of carbon offsets. For example, a retail company with 500 locations cannot afford the cost of verifying a recognized energy efficiency process if it needs to be implemented on a project by project basis.
- 6.) A robust carbon offset program will lead to greater reductions. If there is a streamlined approach to developing carbon offsets, then aggregators and developers will enter the market. This will lead to a greater infusion of cash that retail customers can use to further drive better economics of projects. As more avenues of funding are available, especially if retailers won't have to use their own capital, more projects will be completed.
- 7.) We also believe that renewable energy projects should be a viable method of developing carbon offsets. Several of our members have begun significant solar projects that are reducing their need for grid supplied energy. As with energy efficiency, they need to be able to include the carbon offset value in their models so these projects can meet the accepted hurdle rate. We also recognize that in order to prevent double counting, the customer cannot value both the renewable energy credit (REC) and the carbon offset and steps must be taken to prevent this from occurring. However, the customer must ultimately be able to receive either of these credits on projects they implement in order for them to be financially viable. CARB must include customer-based renewable energy projects as another method of creating carbon offsets.

We applaud CARB for taking the first steps to develop a program that meets AB32 GHG reduction goals. The California Retailers Association views the implementation of AB32 as a way for its members to further reduce its operating costs by increasing their energy efficiency efforts and deploying more renewable energy projects at their facilities. To do this however, it is imperative that a robust and fair carbon offset market be created. Thank you for your consideration of our comments. Please don't hesitate to call us if you have any questions.

Sincerely,



Pamela Williams  
Senior Vice President  
California Retailers Association

cc: CARB Board Members  
James Goldstone – CARB  
Chuck Shulock – CARB