



ENVIRONMENTAL DEFENSE FUND

finding the ways that work

August 11, 2008

Mary D. Nichols, Chairman  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95812  
(916) 445-5025 (Fax)

**RE: Draft Scoping Plan Comments – Transportation**

Dear Chairman Nichols,

Environmental Defense Fund (EDF) applauds the California Air Resources Board (CARB) on the release of the *Climate Change Draft Scoping Plan: A Framework for Change*. The draft Scoping Plan represents an important milestone in California's implementation of the landmark Global Warming Solutions Act of 2006 (AB 32), the first state-level cap on the greenhouse gas pollution that causes global warming.

EDF respectfully submits the following comments in response to the draft Scoping Plan, and looks forward to collaborating with CARB and other stakeholders in the coming months as further materials, including the evaluation supplements, are made available.

Sincerely,

Derek Walker  
Director, California Climate Initiative  
Environmental Defense Fund

## Transportation Sector

Strategies to reduce emissions from vehicle technology, transportation fuels, and land use are all integral pieces of the framework necessary to reduce greenhouse gas emissions from transportation.

### *Transportation Fuels Strategies*

Environmental Defense Fund supports the efforts identified in the draft Scoping Plan to reduce emissions from use of transportation fuels in the state. Further, we commend CARB for utilizing an innovative package of approaches that includes both a Low Carbon Fuel Standard (LCFS) and incorporation of transportation emissions in a multi-sector cap-and-trade program.

Low Carbon Fuel Standard - A properly designed LCFS for California is a key piece of the California emissions reduction strategy. This regulation has the potential to increase the use of existing lower carbon fuels used in the vehicles on the road today, create opportunities to improve those existing fuels, and provide incentives to develop new types of lower carbon fuels and complementary vehicle technologies. Since implementation of the LCFS accounts for approximately 10% of the state's 2020 emissions reduction goal, it is critical that CARB continue the rule development process and not delay the adoption of the regulation.

Environmental Defense Fund analysis supports the draft Scoping Plan contention that low carbon fuels may be cheaper to produce than traditional fossil fuels. For example, it may be cheaper and more technologically feasible to reduce greenhouse gas emissions from electricity generation and delivery than it is to make equivalent emission reductions through modification of petroleum refining equipment and processes. Since the LCFS will facilitate the development of an entire portfolio of new fuels and compliance pathways, it is likely that fuels currently deemed to be cost-prohibitive could become less expensive and more viable as technological innovation occurs.

For more detailed information, please see the in-depth commentary EDF has provided to CARB staff regarding regulation design elements and the import of particular rule development decisions. In addition, we have commented on the potential for low carbon fuels to be manufactured and delivered to vehicles for compliance with the standard.

Cap-and-Trade Program Including Transportation Fuels - Incorporating emissions from transportation fuels into a mandatory cap-and-trade program has tremendous potential to drive low-cost reductions and ensure a more robust market. By holding entities liable for the emissions of the transportation sector, the cap-and-trade program will create incentives to reduce emissions associated with fuel combustion, as well as from emission reductions made in another capped sector or through the purchase of offsets. The economic incentives built into the cap-and-trade program will reward innovative fuel production and use technologies, thereby creating new paths toward compliance with the 2020 goal.

The importance of including transportation emissions in a cap-and-trade, in addition to addressing land use, is highlighted by the fact that returning the sector to 1990 levels will require reductions of approximately 25 MMTCO<sub>2e</sub> beyond what will be achieved through the LCFS and Pavley regulations. However, California fuel sales accounting, emissions tracking, and reporting may not yet be developed enough to include transportation with a point of regulation at the terminal or blending rack at the outset of the cap-and-trade program. Therefore, Environmental Defense Fund urges CARB to analyze and immediately begin developing the reporting and tracking tools necessary to make transportation fuel emissions a part of the cap-and-trade program both in California and within the Western region. Further, we ask CARB to analyze the impact of a phased inclusion of transportation fuel into the cap-and-trade system on the market and on the ability of the state to meet the reduction targets in AB32.

Interaction between the LCFS and Cap-and-Trade – The LCFS and cap-and-trade programs represent approximately 30% of the state’s emissions reduction goal by 2020. Environmental Defense Fund firmly believes these two policies each have great potential to drive innovation in the transportation sector and must be kept as complementary to one another to achieve the desired result. As discussed in comments submitted to CARB staff for the LCFS rulemaking on May 5, 2008, EDF has serious concerns about allowing credit transfer between the LCFS and AB 32 cap-and-trade program.<sup>1</sup> Specifically:

1. Export of LCFS over-compliance credits has the potential to violate the integrity of the cap,
2. When transportation fuel is within the cap, credit export from LCFS due to over-compliance creates unworkable double counting,
3. Allowing exchange will diminish the overall emissions reduction benefit of the LCFS,
4. LCFS over-compliance credits may not meet the rigorous criteria for qualifying as offsets.

Environmental Defense Fund would strongly oppose a decision by CARB to permit the export of credits from the Low Carbon Fuel Standard to the AB 32 market, regardless of whether transportation fuels are included in the cap. Although we recognize that this option may not actually be utilized depending on the stringency of the LCFS emission reduction requirement and the availability of emissions reduction strategies to fuel providers, Environmental Defense Fund urges CARB to not allow such a potentially disruptive regulation to be adopted.

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<sup>1</sup> See Comments of Environmental Defense Fund on the Proposed concept outline for the California Low Carbon Fuel Standard, May 5, 2008

## *Transportation Vehicle Strategies*

Pavley 1, Pavley 2 - Environmental Defense Fund applauds CARB for taking a tough stance to achieve needed greenhouse gas emissions reductions from automobiles. Both the Pavley 1 regulations (adopted following passage of AB 1493) and future Pavley 2 regulations will deliver reductions in greenhouse gas emissions both within and outside California borders as other states seek to adopt and implement our Clean Cars Law. CARB and the Governor's office have continually led on this issue, refusing to wait for federal action (which likely would not achieve the same level of emissions reductions) or back down in the face of EPA's recent decision that California lacks authority to set greenhouse gas standards for vehicles. We are hopeful that whoever is elected President in November will revisit the waiver application for California.

Pavley Backfill - AB 32 requires CARB to implement regulations to achieve emissions equivalent to the reductions that would be achieved through the Pavley regulation if Pavley is not implemented. The draft Scoping Plan has identified two such measures available to California, requiring original engine manufacturers (OEMs) to surrender equivalent reductions and/or creating a feebate program to impose fees on high emitting vehicles. Environmental Defense Fund supports both options in concept, though further information is needed to fully evaluate the proposals.

In the draft Scoping Plan, CARB discusses a reduction measure that would require OEMs to submit verified GHG reductions equivalent to the amount that would have been achieved under full implementation of the Pavley 1 and 2 regulations. This measure has the benefit of continuing to hold automakers accountable for the products they sell, even if the Pavley regulation fails to take effect. This approach is similar to a proposal delivered by Environmental Defense Fund at the "Beyond Pavley" symposium sponsored by CARB earlier this year.

Rather than holding OEMs accountable for only the emissions that occur for the duration of the Pavley 1 and 2 regulations, we recommended OEMs be liable for the lifetime emissions of the vehicles they sell, starting in 2009. The approach outlined in the draft Scoping Plan Appendices mirrors this recommendation. Environmental Defense Fund appreciates CARB identifying these two versions of the "carbon burdens" approach, and we recommend CARB further develop them as soon as possible to give certainty to automakers about their responsibility to account for the greenhouse gas emissions of the vehicles they sell.

Environmental Defense Fund also supports the development and implementation of a feebate program to reward purchasers of low greenhouse gas vehicles through rebates and penalize the purchase of higher emitting vehicles through fees. Such a program is similar to an approach utilized under a previous California Assembly Bill 493 (2007) and recommended by the Union of Concerned Scientists. However, this approach should not be seen as exclusive of other approaches to reduce emissions from vehicles and we look forward to working with staff to develop it further.

### *Light and Heavy/Medium-Duty Vehicle Efficiency Measures*

Environmental Defense Fund fully supports the efforts of CARB to improve the efficiency of light- and heavy-duty vehicles. Measures such as tire inflation, tire tread improvement programs, and other vehicle efficiency measures will benefit Californians by increasing fuel economy as well as vehicle safety in the light-duty sector. However, we encourage CARB to extend these measures to the medium- and heavy-duty sectors as well. For the heavy and medium-duty sector, vehicle hybridization, electrification and friction reduction measures are very beneficial because these strategies both increase fuel efficiency and improve air quality as diesel particulate emissions are reduced. The Aerodynamic Efficiency measure (T-6) is an important first step and will achieve reductions fairly quickly. However, it does little to encourage further development and deployment of other aerodynamic and performance technologies. We hope CARB will find ways to not limit themselves to the SmartWay program.

The long life of diesel vehicles means that implementation of programs within this sector will most likely take a considerable amount of time. To avoid some of the lag time, CARB should develop the hybridization and improved engine efficiency standards at a more accelerated rate, in order for GHG emission reductions to occur as soon as possible. It should also be emphasized that as with the deployment of improved fuel efficiency vehicles produced for compliance with the Pavley standards, hybrid heavy-duty vehicles manufactured through involvement with the California program will also be deployed into other states, thus accruing emissions benefits outside the state's borders. By encouraging hybrid truck purchases, this proposal can also spur the commercial production of these vehicles nationally and significantly bring down the purchase price.