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August 11, 2008 (revised)

California Air Resources Board (CARB)

Mary Nichols, Chairperson
1001 'I' Street
Sacramento, CA 95814

RE: AB 32 Scoping Plan – FEEBATES

Dear Chairperson Nichols and Members of the Board:

We, the undersigned groups and associations, submit the following comments in reference to the Feebates subsections of the Draft Scoping Plan, including pages C-36 – C-38 of the Appendices. First and foremost, we strongly urge CARB to move Feebates from a “Measure Under Evaluation” to a “Recommended Greenhouse Gas Emission Reduction Measure” for the transportation sector in the Scoping Plan. Feebates is a market-oriented mechanism that we are unified in supporting.

As you indicate in your draft plan, Feebates is a self-financing incentive program that encourages buyers to purchase and manufacturers to produce cleaner vehicles. Economic studies have shown that Feebates can work as a valuable complement to existing and future global warming vehicle regulations. Based upon CARB’s own estimates, a Feebates program can achieve at least 2-6 MMTCO₂E in emissions reductions in 2020. Furthermore, a well-designed Feebates program would lead to substantial cumulative reductions over the lifetime of the program. Some of these emissions reductions could come from medium duty passenger vehicles, which are not currently covered by California’s Greenhouse Gas Vehicle Emissions regulations.

In particular, we note the following:

- A Feebates program can work well as a complement to existing and future global warming regulations for vehicles. Because a Feebates program provides financial incentives for automakers to install clean technology, it motivates automakers to meet California’s GHG regulations sooner.

- Feebates can achieve significant emission reductions in the medium duty passenger vehicle fleet. These vehicles are not covered by existing global warming regulations and will number over 400,000 vehicles by 2020. Feebates will provide an incentive to install additional technologies that will lead to a reduction in greenhouse gas emissions on these vehicles.
- A Feebates program will not only encourage automakers to make improvements in their vehicle fleet, but can engage the general public in the battle to combat global warming by offering direct incentives for consumers to make choices that help reduce pollution.
- A Feebates program would be self-financing and, according to the CARB draft Scoping Plan, provides over a billion dollars in savings due to reduced fuel consumption.

Based upon these benefits and the 2-6 MMTCO₂E estimate in emissions reductions, we strongly encourage CARB to adopt Feebates as a “Recommended Greenhouse Gas Emission Reduction Measure” and include medium duty passenger vehicles (up to 10,000 lbs GVW) in the program.

As a Feebates program moves forward, we recommend that the program design adhere to the following principles:

- The program should be designed to achieve the maximum feasible and cost-effective GHG emissions reductions as a complement to the state’s GHG vehicle emissions (‘Pavley’) regulations.
- The program and schedule of rebates and fees should be adjusted regularly and, to the maximum extent feasible, be self-financing
- In order to maximize emissions reductions in the transportation sector, the program should include the medium duty passenger vehicles.
- The calculations of rebates and fees should be based primarily on a continuous scale to avoid confusing discontinuities, and the dollar levels should be sufficient to impact automaker and/or consumer behavior.
- The program must complement and enhance the state’s efforts to improve air quality and ensure that no loss of emissions benefits occurs for any smog-forming pollutant as a result of any Feebates program design option.
- Program design options should be carefully evaluated prior to implementation.

Feebates will allow car owners to save thousands of dollars at the gas pump while reducing global warming pollution by millions of tons. A Feebates program could help educate the public on the impact of their vehicle choices and engage consumers through incentives to purchase lower-emitting vehicles. Additionally, we agree with your analysis that “the majority of emissions benefits would stem from improvements in the vehicles themselves with minimal impacts on the range or volume of vehicles available for purchase.”

Finally, we suggest that CARB, in the final Scoping Plan, identify Feebates as a strategy where additional direction from the state legislature would enhance the implementation of such a program. Thank you for taking our comments into consideration before finalizing the Climate Change Scoping Plan.

Sincerely,

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