



## AB 32 Implementation Group

Working Toward Greenhouse Gas Emission Reductions  
And Enhancing California's Competitiveness

June 9, 2008

Ms. Mary Nichols  
Chair, California Air Resources Board

*Via Email: mnichols@arb.ca.gov*

RE: Comments on AB 32 Scoping Plan

Dear Ms. Nichols:

We look forward to the first version of the Scoping Plan at the end of this month. We understand the plan will have less detail than originally anticipated and that subsequent workshops will inform development of a more complete document later this summer. This provides an opportunity to ensure California's plan will align with the evolving Western Climate Initiative (WCI) and federal policies now being debated in the Warner-Lieberman climate change bill. To preserve its leadership position on climate change policy, California should develop a Scoping Plan that allows the state to seamlessly integrate into the developing regional and federal programs. For example, a plan that relies on a command and control approach with many "California-only" features may not support the creative and progressive design we need to lead the region and the country.

To that end, we are concerned that between now and when the final Scoping Plan must be completed, there will be insufficient time and resources to conduct the necessary economic and technical analysis to support the blueprint for the state's climate change program and a model that others could follow. It is particularly difficult to understand how the Board expects to progress from the necessarily broad draft later this month to a final Scoping Plan that provides clear policy direction in November. In this letter, we recommend CARB pursue a few major policy directions, as we believe they are justified and supportable within our current level knowledge about the potential costs, benefits and other impacts of strategies. Attached are more specific recommendations on some key Scoping Plan issues.

**Flexible Compliance Options:** You are considering a group of "Core Measures" that may account for 60% of the total emission reductions required by 2020. These core measures include the low carbon fuel standard, energy efficiency standards, renewable portfolio standards (RPS), and implementation of the AB 1493 (Pavley) fuel efficiency program. Your staff suggests that additional reductions to meet the 2020 target will be achieved by one or more of three options: traditional regulation, carbon markets or carbon taxes. While not speaking to the merits of the core measures, we urge you to include in the remainder of the needed emission reductions the flexible compliance options that are available in a market-based system.

We recommend that when traditional regulations are imposed to reduce emissions, CARB should offer compliance options to further the goal of achieving emissions reductions at the least possible

cost. Alternative compliance could be purchasing carbon reduction offsets that meet strict criteria to be set by CARB, for example. We all hope that AB 32 will lead to technological innovation, the building of a green-tech industry in California and more jobs for California workers. To unlock the promise of technological innovation and job growth, the state should allow creative companies to use their expertise and capital resources to invest in projects that deliver energy efficiency and reduced greenhouse gases at least cost without mandates.

**Fully Account for Existing Greenhouse Gas Emission Reduction Programs:** AB 32 requires the Board to consider all relevant information pertaining to GHG emission reduction programs in other states, localities and nations. For purposes of this requirement, the Board should evaluate GHG emission impacts of recent federal energy policies including, but not limited to, the recent Renewable Fuels Standards (RFS) update and the enhanced CAFE requirements. In addition, current programs being administered by the California Public Utilities Commission (CPUC) will invest more than \$1 billion a year in utility ratepayer contributions to increase renewable energy purchases, fund significant energy efficiency activities, support distributed generation (SGIP), support rooftop photovoltaics (CSI) and solar water heating. The Commission also has proposed an additional \$600 million in ratepayer funding for global warming research. The GHG reductions from these programs should be accounted for in the AB 32 Scoping Plan. Finally, we recommend that the Board evaluate and incorporate the emission impacts of expanding local and regional GHG reduction programs within the State.

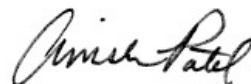
**Establish Milestones to Check Progress and Make Needed Adjustments:** Your agency has a remarkable record of managing the uncertainty and risk associated with relying on technological innovation to achieve emission reductions. Implementing AB 32 may well be CARB's greatest challenge yet - in many cases the technology needed to meet future regulations is still being developed in the lab and has not yet proven to be commercially viable. One of the strategies that the agency has used in the past to manage such uncertainty is to build milestones into the plan, to review the feasibility of its plan, and then continue forward or make mid-course corrections as necessary. We believe it would be wise to incorporate these plan checks and milestones into the AB 32 Scoping Plan.

Industry remains committed to the success of AB 32, and our coalition of more than 150 organizations is willing to continue working with you and your staff to help ensure that emission reductions required in AB 32 are achieved in a balanced and cost-effective way. Please feel free to give one of us a call if you need more information.

Sincerely,



Dorothy Rothrock  
Vice President  
California Manufacturers &  
Technology Association



Amisha Patel  
Policy Advocate  
California Chamber of Commerce