

October 13, 2023

To:
Dr. Steven Cliff
Executive Officer
California Air Resources Board

Ms. Rajinder Sahota
Deputy Executive Officer
California Air Resources Board

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Re: Comments on Potential Amendments to the Cap-and-Trade Regulation

Dear Dr. Cliff and Ms. Sahota,

Thank you for the opportunity to submit comments pursuant to the workshops held on July 29, 2023 and October 5, 2023 (the “**Workshops**”) on potential amendments to the Cap-and-Trade Regulations (the “**Regulations**”). These comments are submitted on behalf of our client the Coalition for California Climate Ambition (the “**CCCA**”) and should be read together with the CCCA Comment Letter submitted on July 7, 2023 (the “**July Comment Letter**”)¹.

The CCCA is an informal, unincorporated association of stakeholders supporting a continued role for the Cap-and-Trade Program (the “**Program**”) as the most efficient mechanism to achieve California’s 2045 climate goals. The CCCA has members from key stakeholder groups, including industry participants, investors, and project developers. Members of the CCCA have made long-term investments worth hundreds of millions of dollars in multiple areas of the California economy, including in renewable power, energy transition, and infrastructure. CCCA members participate actively in the Program, including through participation in the California allowance auctions.

We would like to thank the California Air Resources Board (“**CARB**”) staff for hosting the Workshops and for their continuous efforts to refine the Program and consider various modeling scenarios. The comments of the CCCA are as follows:

- 1. The CCCA Supports Providing Clarity with Respect to the Extension of the Program Beyond 2030.** The July Comment Letter provided ample evidence and research-based data supporting the extension of the Program. The Program’s extension is necessary to create a framework that will achieve the Program’s goals and continue to incentivize CCCA members and other Program stakeholders to make long-term investments in emission reduction infrastructure projects and in decarbonization. The extension should be confirmed directly through amendments

¹ CCCA Comment Letter on CARB’s June 2023 Workshop ([Link](#)).

to the Regulations that would provide future allowance budgets between 2031 and 2045 and through specific future legislation.

2. **The CCCA Supports the Proposed Scenario of 48% Reduction Below 1990 by 2030.** Out of the three allowance budget scenarios presented in the Workshops, the 48% reduction scenario is best suited to achieve the state’s greenhouse gas (“GHG”) reduction targets laid out in the 2022 Scoping Plan. To facilitate that, the CCCA believes that the Program should be a workhorse role in California’s climate policy. Meaning that the Program should be used as the main driver for GHG emission reductions in order to meet the state’s ambitious 2023 climate target and 2045 carbon neutrality target.
3. **The CCCA Supports Removing Allowances from the Auctions and Allocation Pools.** In deciding how to implement a 48% reduction scenario through cap adjustments in its upcoming rulemaking, CARB may consider the following factors: i) maintaining strong auction revenues, ii) promoting liquidity in the market, and iii) preserving the efficacy of the APCR tiers 1 and 2 as speed bumps by not reducing their allowances volumes and potentially exposing the Program to higher prices in the future. Therefore, the CCCA believes that the allowances should be removed from the auctions and allocation budget and not from the price ceiling and APCR budgets.
4. **The CCCA Supports Mechanisms that Aim to Increase Price Certainty and the Program’s Durability.** The CCCA is supportive of CARB’s consideration of the various mechanisms that could increase price certainty and therefore assure the Program’s long-term viability, including a revision to the allowance price containment reserve trigger prices.

We appreciate the opportunity to provide comments following the Workshops. We remain available to discuss these matters further at your convenience.

Sincerely,

/s/ Michael Romey

Michael Romey

of LATHAM & WATKINS LLP

/s/ Jean-Philippe Brisson

Jean-Philippe Brisson

of LATHAM & WATKINS LLP