

AIR RESOURCES BOARD

PUBLIC WORKSHOP

CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY
1001 I STREET
BYRON SHER AUDITORIUM, SECOND FLOOR
SACRAMENTO, CALIFORNIA

FRIDAY, JULY 8, 2011

REPORTED BY: DESIREE C. TAWNEY
CSR No. 12414

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David Brentlinger - New Forests
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1 SACRAMENTO, CALIFORNIA

2 FRIDAY, JULY 8, 2011, 10:00 A.M.

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5 JEANNIE BLAKESLEE: Good morning, everybody. We're
6 just going to get everybody a little more situated and then
7 we'll get started. We'll start in about a minute.

8 There are some handouts in the back of the room. Feel
9 free to pick them up. There is a PowerPoint presentation
10 and some handouts and copies of the Supplement to the FED.

11 (Pause in proceedings.)

12 JEANNIE BLAKESLEE: Okay. Let's get started here.

13 Good morning and welcome to the workshop for the
14 Supplement to the AB 32 Scoping Plan Functional Equivalent
15 Document. I'm going to refer to the document as the
16 Supplement.

17 My name is Jeannie Blakeslee. I'm sorry. Before we
18 get started today, I will review some important logistics.
19 Please note the emergency exits to the room and to the
20 right of the room -- the right side of the room. And in
21 the event of a fire alarm, we are required to evacuate the
22 room immediately and go down the stairs and exit the
23 building. When the "all clear" signal is given, we can
24 return to the room and resume our meeting.

25 Rest rooms are around the corner and to the left of

1 this room.

2 I want to take this opportunity to introduce our other
3 presenter, Christina Morkner Brown, who is staff counsel
4 with the Office of Legal Affairs; and Edie Chang is with
5 us. She is assistant division chief of the Stationary
6 Source Division.

7 The purpose of this workshop is to present an overview
8 of the Supplement released on June 13th that provides an
9 expanded analysis of the five project alternatives
10 originally included in the 2008 Scoping Plan FED and for us
11 to receive comments on the Supplement.

12 Many of you are aware that ARB has a Certified
13 Regulatory Program under CEQA that allows ARB to prepare
14 Functionally Equivalent Documents in lieu of negative
15 declarations or Environmental Impact Reports. We refer to
16 these as FED's.

17 ARB is undergoing the normal CEQA process that ensures
18 public input and transparency and this workshop provides
19 you with an opportunity to provide verbal comments on the
20 Supplement.

21 Today's presentation discusses key aspects of the
22 Supplement, the process and the timeline.

23 Christina will provide a brief background on
24 California's Environmental Quality Act and will provide an
25 overview of the chronology of events dealing with AB 32

1 Scoping Plan and its environmental analysis.

2 I will present an overview of the alternatives and the
3 analyses and Christina with wrap up with an overview of
4 ARB's next steps. After that, we will open the workshop
5 for questions and comments at that time.

6 Okay. Christina?

7 CHRISTINA MORKNER BROWN: The California Environmental
8 Quality Act is the law that applies to most public agency
9 decisions to carry out or approve projects that could have
10 adverse effects on the environment.

11 CEQA requires that agencies perform analysis about the
12 environmental effects of the proposed actions, provide the
13 public an opportunity to comment, carefully consider all
14 relevant information and avoid or reduce significant impact
15 when feasible before they take action to approve a project.

16 ARB is a Certified Regulatory Program under which
17 prepares environmental analyses in accordance with CEQA.

18 CEQA provides impartial judgement and allows groups,
19 such as ARB, to prepare its environmental analyses as part
20 of its staff report or other documents prepared for
21 regulations, plans and standards.

22 And instead of preparing a negative declaration or
23 EIR, it is typically prepared under CEQA.

24 In accordance with CEQA and ARB's regulations, the
25 staff report or other documents must describe anticipated

1 adverse and beneficial environmental impacts associated
2 with the proposed action.

3 When adverse impacts are identified, the analysis must
4 also identify feasible mitigation measures and alternatives
5 to the proposed project that could reduce identified
6 impacts.

7 The analysis must be circulated to the public and
8 other agencies for review and comment for 45 days.

9 This analysis was carried out in 2008 for the Scoping
10 Plan. AB 32 requires that ARB create a Scoping Plan that
11 outlines the State's strategy to reduce greenhouse gas
12 emissions to 1990 levels by 2020.

13 In June 2008 ARB released a draft Supplement Plan for
14 public review and comments, followed by workshops.

15 Later, in October 2008, a proposed Scheduled Plan was
16 released for public review and comment. An environmental
17 analysis of that Scoping Plan was included in Appendix J,
18 Volume 3, of the Plan and was titled AB 32 Functional
19 Equivalent Document or FED.

20 The FED analyzed and disclosed the potentially
21 significant environmental impacts that could result in
22 implementing the measures considered in the Plan. The FED
23 also included in the discussion an arranged five
24 alternatives to the Proposed Scoping Plan. Following a
25 45-day public review and comment period, the Scoping Plan

1 and the FED were considered by the Board at a public
2 hearing in December 2008 and subsequently adopted by the
3 Board's executive officer in May 2009. Soon after a
4 lawsuit was filed challenging ARB's adoption of the Scoping
5 Plan.

6 In March 2011 a trial court issued a decision that
7 denied the majority of the claims and held that the
8 environmental analysis of the Plan was adequate under CEQA
9 but held that one portion of the FED, the analysis of the
10 alternatives, did not provide enough detail for informed
11 decision-making.

12 ARB has appealed the ruling. Meanwhile, to resolve
13 any doubt in the matter and in the interest of informed
14 decision-making and public participation, ARB is revisiting
15 the alternative analysis and staff is providing a
16 Supplement with an expanded and more detailed analysis in
17 accordance with the Court's direction.

18 This one section of the environmental analysis is the
19 subject of our discussion today. The Scoping Plan is
20 referred to in the Supplement as the Proposed Scoping Plan
21 because the Plan is being fully brought back to the Board
22 for reconsideration along with the Supplement.

23 The Scoping Plan is not, however, a new or updated
24 Plan. It contains the same objectives and framework for
25 greenhouse gas emission reductions as prepared in 2008.

1 JEANNIE BLAKESLEE: The Supplement provides a revised
2 environmental analysis that if approved by the Board will
3 replace the alternative section of the 2008 FED.

4 The five alternatives are the same as those in the
5 2008 FED, which the Court found to comprise of a reasonable
6 range of the project alternatives.

7 The purpose of the alternatives analysis is to
8 evaluate whether any project alternative could reduce or
9 eliminate the proposed project's significant effects, while
10 meeting most of the basic project objectives.

11 The five alternatives are No-Project Alternatives and
12 four action alternatives. The expanded analysis relies on
13 an updated emissions projection in light of current
14 economic forecast including the economic downturn since
15 2008.

16 The analysis in the Supplement is programmatic and
17 reflects that the project is the broad plan and not the
18 specific regulation to reduce greenhouse gasses.

19 I would like to take a moment to provide some content
20 regarding the impact analysis prepared for the Supplement.

21 The State's guidelines provides direction to agencies
22 with Certified Regulatory Programs and requires the
23 agencies to identify and analyze the effects of foreseeable
24 compliance responses as the basis for environmental impact
25 analysis. The compliance response is an action that if

1 entered is subject to a regulation would take in order to
2 be in compliance.

3 The CEQA environmental checklist was used as a basis
4 for determining significance of potential environmental
5 impacts.

6 Let's move on to the alternatives analysis. The
7 No-Project Alternative is based on existing conditions and
8 what would be reasonably expected to occur in the
9 foreseeable future. It serves as a foundation for
10 comparison on the environmental impacts associated with
11 approving the proposed plan to the effects of not approving
12 the plan.

13 ARB, however, cannot adopt this alternative because
14 AB 32 requires ARB to prepare and approve the Scoping Plan.
15 The no-project description is updated to reflect current
16 information.

17 In 2008, 2020 greenhouse gas emissions in California
18 were estimated to be 596 million metric tons of CO₂e using
19 the 2002 to 2004 emissions data. And based on the 2006 to
20 2008 emissions data and the 2010 updated economic analysis
21 that considered the economic downturn and factoring in the
22 pre-2006 target, adjustments of about 80 million metric
23 tons are made. This includes the Pavley Standards and the
24 20 Percent Renewable Portfolio Standard.

25 Table 2.3-1 of the Supplement and Table 1 of the

1 handouts provides a summary. The new BAU greenhouse gas
2 emissions is 507 million metric tons CO₂e in 2020. This is
3 still 16 percent above the 2020 target of 527 million
4 metric tons.

5 This includes these early action measures and measures
6 that are a separate authority and are already approved by
7 ARB and are already in effect. This gets us to 449 million
8 metric tons.

9 The rulemakings pursuant to AB 32 is still in process,
10 such as the Cap-and-Trade Regulation and the Advanced Clean
11 Cars, are not taken into account leaving us with a
12 shortfall of approximately 22 million metric tons.

13 Alternative 2 relies on a Cap-and-Trade Program for
14 achieving the full 22 million metric ton reduction.

15 The total greenhouse gas emissions decreased in
16 compliance with a cap that declined over time, while
17 covered entities are afforded the flexibility to receive
18 the most cost-effective actions to reduce emissions.

19 This alternative would reduce greenhouse gasses to the
20 implementation of compliance response that include
21 upgrading equipment, fuel switching, process improvements,
22 the reduction in the operations and the implementation of
23 carbon offset programs. The emissions reduction could be
24 expected to occur in the most cost-effective manner.

25 The air quality is expected to improve statewide and

1 many co-benefits would occur with -- I'm sorry -- with an
2 effective market grid in the Greenhouse Gas Reduction
3 Program.

4 These co-benefits include energy conservation and
5 efficiency, reduce fossil fuel use, reduction of the
6 regional co-pollutants and job performing economic
7 opportunities related to the facility modifications and the
8 development of energy efficiency technologies.

9 Potential impacts associated with the Cap-and-Trade
10 Alternative includes but are not limited to localized
11 impact and impacts associated with site preparation and
12 construction activities.

13 Under Alternative 3, ARB would adopt regulations that
14 establish source-specific emission limits or performance
15 standards to achieve the reductions.

16 ARB staff developed a range of direct regulations to
17 achieve the 22 million metrics tons that include: One, a
18 requirement that electric utilities displace at least 50
19 percent of their coal-based generation having generations
20 that have no higher emissions than the emissions rate set
21 by CPUC and the CEC for the new long-term energy contracts
22 pursuant to SB 1368.

23 To provide additional emissions reductions needed to
24 achieve 22 million metric tons, three industrial categories
25 have been identified: Large refineries, cement production

1 facilities and large oil/gas extraction facilities can be
2 considered.

3 And the Advanced Clean Car Standards component of the
4 Alternative 3 is based on the proposed currently -- the
5 proposal currently being developed by ARB. And this
6 measure would reduce greenhouse gasses as well as friction
7 pollutants and toxic air contaminates.

8 The standards would update us on several existing
9 programs that reduce pollution from vehicles into a single
10 regulatory framework. This framework includes the Low
11 Emission Vehicle Program, the Greenhouse Gas Reduction
12 Program, often called the Pavley Standards.

13 ARB plans to integrate the zero-emission vehicle
14 requirements into this new effort.

15 Zero-emission vehicles includes the battery, electric,
16 fuel cell, plug-in hybrid electric vehicles.

17 A clean fuel outlet component would also be considered
18 for inclusion into this alternative.

19 Alternative 3 could potentially meet fundamental
20 objectives reaching the 2020 emissions reduction target.
21 However, there is some risk of leakage to other regulated
22 states that could undermine the benefits of this
23 achievement. This alternative would reduce greenhouse gas
24 emissions with the use of source-specific standards for
25 electricity generation and the industrial sources of

1 refinery, cement production and oil and gas extraction.

2 The compliance responses for the resources would be
3 similar to the Cap-and-Trade Program according to each
4 facility's flexibility to meet emissions obligations.

5 Compliance responses for electricity as industrial
6 sources could include implementing energy efficiency
7 modifications, making fuel changes and other operational
8 improvements. The likely response to coal displacement
9 regulation would be construction of new and expansion of
10 existing combined-cycle natural gas plants.

11 And the difficulties in getting some new plants
12 constructed and permitted in California, such construction
13 may take some considerable time and could be outside of
14 California.

15 Compliance responses to the Advanced Clean Car Program
16 would involve improved engine and transmission
17 technologies, vehicle technologies, some mass reduction,
18 electrification and accessory technology and electric drive
19 technologies, including hybrid technology.

20 The improvements in vehicle technology would result in
21 a greater use of electricity and fuel cell in powered
22 vehicles. And the construction of the alternative fuel
23 stations to serve plug-in hybrid and battery, electric
24 vehicles and fuel cell vehicles would be necessary as well.
25 Running out of breath there. Within the range of

1 alternatives, a carbon fee represents an approach for
2 pricing as set by the state. The carbon fee for a state is
3 an example of a charge levied on economic activity that
4 causes a cost to be incurred by the public and state
5 resulting from global warming risk. These costs are
6 sometimes called "externalities."

7 The carbon fees or tax provides a clear signal of the
8 price that parties would face with greenhouse gas
9 emissions. Setting the cost of carbon emissions on covered
10 energies through a fee or tax does not guarantee a specific
11 emissions outcome because there is neither a regulated cap
12 as in cap-and-trade nor a defined performance standard, as
13 in a direct source-specific regulation.

14 A carbon fee or tax would be defined administratively
15 by statute and/or the regulation.

16 If a carbon fee or tax was implemented in California,
17 four key design issues must be addressed. First, the
18 covered sectors must be identified. And for this
19 analysis -- for the analysis purpose, we assume that the
20 sectors potentially subject to the carbon fees or tax would
21 be those slated to be covered under the proposed
22 Cap-and-Trade Regulation. It includes electricity,
23 transportation, fuel, natural gas and large electric
24 industrial sources that emit 25,000 metric tons or more.

25 The level of the fee would need be to decided. The

1 state must determine the carbon fee or tax level and
2 whether or how to change it over time.

3 And the exact quantity of emissions subject to the fee
4 or tax and the point of regulation would also have to be
5 determined.

6 The sector -- the sectors affected by this alternative
7 would be the same as those included as covered entities in
8 the proposed Cap-and-Trade Regulation.

9 Compliance responses by affected entities could
10 include fee or tax payment, fee and tax payment but also
11 upgrading equipment, switching to lower intensity carbon
12 fuels, implementing maintenance process changes at existing
13 facilities.

14 As previously indicated, there would be a potential
15 for businesses leaving and consequently there may be
16 impacts associated with siting, construction and operation
17 of new facilities outside of California.

18 Since some of the compliance responses are similar to
19 those associated with cap-and-trade, the impacts would be
20 similar as well.

21 Instead of adopting all of the reduction measures in
22 the Proposed Scoping Plan for set measures oriented to a
23 specific primary strategy, ARB could adopt some of the
24 measures or a different mix of them.

25 Alternative 5 builds on the No-Project Alternative,

1 which is Alternative 1, by adding a direct regulation that
2 has been defined as technologically feasible and is
3 expected to be cost-effective, a cap-and-trade approach for
4 large industrial sources and electricity generation, and
5 carbon fees on the transportation, commercial and
6 residential fuel sectors.

7 This alternative combines the elements of alternatives
8 2, 3, and 4. And the effects are similar to alternatives
9 2, 3, and 4 and would be -- as would be the potential
10 environmental impacts.

11 As previously mentioned, the analysis of the
12 environmental impact of each alternative is based on the
13 anticipated compliance response by the private/public
14 entities. Each of the alternatives has environmental
15 advantages and disadvantages compared to the Proposed
16 Scoping Plan, which are discussed in detail in the
17 subsections devoted to each alternative.

18 Generally, Alternative 1 is not allowed because ARB
19 must adopt a Scoping Plan and would not meet the
20 objectives.

21 Alternative 2 and 5 would befall compliance response
22 similar to the Cap-and-Trade Program that would result in
23 similar impacts as the Plan. And Alternative 3 and 4 also
24 have impacts similar to the scoping -- Proposed Scoping
25 Plan but arise from slightly different compliance

1 responses. And these alternatives don't include the
2 impacts rising from the use of offsets. These alternatives
3 also include a higher risk of leakage.

4 The handout also includes a comparative matrix that
5 illustrates the Proposed Scoping Plan from the alternatives
6 and achievement in the AB 32 objectives. It is included in
7 the Supplement at Table 2.8.1.

8 With the exception of the No-Project Alternative, all
9 of the other alternatives are designed to cover the 22
10 million metric ton reduction needed to achieve the AB 32
11 2020 target.

12 The alternatives 2 and 5 have the highest potential to
13 meet the AB 32 objectives in the Scoping Plan.

14 The ability to meet the objectives is lower for
15 alternatives 3 and 4, primarily because the risk of
16 leakage.

17 Christina?

18 CHRISTINA MORKNER BROWN: As you know, the Supplement
19 was released for public review and comment for a 45-day
20 period starting on June 13th.

21 Following this review period, which ends July 28th,
22 ARB staff will consider comments received, written comments
23 received and any comments made today. During this period,
24 staff will prepare a written response to comments raising
25 significant environmental issues based on the analysis

1 contained in the Supplement.

2 The written responses to comments will be posted on
3 ARB's website prior to the Board hearing presently
4 scheduled for August 24th, 9:00 a.m. in this auditorium.

5 At the hearing the Board will consider the
6 environmental document, which includes the AB 32 Scoping
7 Plan FED, as modified by the Supplement; and the written
8 response to public comment, which includes both those
9 prepared or comments received on the Supplement and the
10 comments that were received back in 2008 and the written
11 responses that are currently available on-line.

12 After consideration of the environmental document, the
13 Board may take action to approve the Proposed Scoping Plan.

14 JEANNIE BLAKESLEE: This concludes today's
15 presentation.

16 Please note that we would be happy meet with any of
17 you so we can fully understand your concerns. And now I
18 would like to open this workshop up to you so we can hear
19 your questions.

20 Now before you get to -- when you get to the
21 microphone, if you would please identify yourself first.
22 Let us know who you represent and whether you are
23 representing a public agency. And I want to thank you all
24 for coming today this morning.

25 Now we'll open it up to questions.

1 STEVE MESSNER: Steve Messner with Environ
2 Corporation.

3 On of the purposes of today's discussion revision was
4 the adjustments made for current conditions. I think it
5 was one of the bullets in the slides.

6 I had extreme difficulty tracking why adjustments were
7 made. Some measures were reduced to zero. Some were
8 reduced. Some were not.

9 Is there a detailed documentation on how those
10 economic or feasible adjustments were made from prior
11 approvals?

12 EDIE CHANG: The measures that were the measures when
13 you look at them, they were adjusted for sort of two main
14 reasons: One was an economic downturn. Measures that
15 related to, for example, you would have fewer energy
16 efficiency benefits. You did not have as much electricity.
17 You didn't have as much economic growth.

18 The other source that we used was -- for example, for
19 regulations that were adopted, we looked at the staff
20 report and said here is the -- here are the times that were
21 achieved in the rulemaking procedures.

22 STEVE MESSNER: Let me be clearer. Is there
23 documentation? I mean, there -- we see the result from you
24 go from 10 to 0. Is there documentation on the measures
25 why that specific adjustment was made? In other words, was

1 it a recession adjustment that was made? And for how
2 much recession adjustment was made? And was it, you
3 know -- pardon me -- an implementation adjustment that was
4 made? How much of an adjustment was made for each measure?

5 JEANNIE BLAKESLEE: This -- you bring up some
6 important points at this time.

7 Your questions would require more thought. And are
8 you going to be submitting written comments to this effect?

9 STEVE MESSNER: I already did.

10 JEANNIE BLAKESLEE: Great. Thank you for that because
11 at a workshop and speaking off the cuff would be -- we
12 would like to be very thoughtful in our response to that.

13 You bring up a very good point and thank you.

14 JAMES NACHBAUR: I'm James Nachbaur, Legislative
15 Analyst.

16 Two questions. First, I guess for the No-Project
17 Alternative is the baseline you used --

18 JEANNIE BLAKESLEE: Can you speak into the microphone?
19 Please speak into the microphone and identify yourself.

20 JAMES NACHBAUR: Yes. James Nachbaur with the
21 Legislative Analyst'S Office.

22 I had two questions. For the No-Project Alternative,
23 does that have the same baseline as the other measures
24 analyses, especially the other measures assumed to be in
25 effect like Low Carbon Fuel Standard? For example, things

1 like changes in the vehicle fleet, do the baseline for both
2 of these -- are those consistent?

3 And then the second question, you said in the slides
4 that the effect of the carbon tax or fee or cap-and-trade
5 would be similar in many ways. In Table 2 they seem very
6 different. It seems in part because in the Cap-and-Trade
7 Regulations you're making a lot of the decisions to reduce
8 leakage and risk, for example. Couldn't leakage and risk
9 also be addressed under direct regulation or carbon tax?

10 JEANNIE BLAKESLEE: This is one of the questions that
11 we are going to be looking at in our response to comments.

12 Have you submitted comments?

13 JAMES NACHBAUR: No.

14 JEANNIE BLAKESLEE: Are you going to?

15 JAMES NACHBAUR: No.

16 JEANNIE BLAKESLEE: Well, just for information, there
17 will be a transcript made available. This is part of
18 public record. We will be responding to this question.

19 Thank you for that.

20 WILL BARRETT: Good morning. My name is Will Barrett
21 with the American Lung Association of California.

22 A little closer? So we're strongly in support of the
23 scope and in support of the Plan.

24 I believe there are certain ways to evaluate the group
25 on the measures within the Plan. Does the climate goal

1 improve public health and decrease the air pollution and
2 affect the climate changes particularly in our most
3 vulnerable communities?

4 The recommendation we would have for strengthening the
5 Supplement would be in the description of the Cap-and-Trade
6 Program to include in your commitment for a periodic review
7 and update, and hopefully an assessment -- emissions
8 assessment. That was a bit of an eyesore.

9 The ongoing updated assessment of criteria pollutant
10 emissions at -- and real data would help us to more fully
11 understand how the program is actually impacting local
12 communities and tapping into the local impacts that are
13 more included in the initial analysis.

14 We support the scope and the Plan and look forward to
15 working with you all. Continue to improve the Plan itself
16 and measures. And the best goal is to improve public
17 health.

18 And we do applaud the recent announcement and applaud
19 the recent measures. Good example of the way the programs
20 could be improved.

21 We'll be providing written comments as we go forward.
22 Thank you for indulging.

23 JEANNIE BLAKESLEE: Could I have your name again,
24 please?

25 WILL BARRETT: Hop-along. It's Will Barrett, American

1 Lung Association.

2 CHRISTINA MORKNER BROWN: I can briefly say that just
3 so it is clear that the Scoping Plan looks at measures in a
4 broad way; that each measure that would actually be picked
5 up and goes through its own regulatory process and its own
6 environmental review process and public process as well.

7 There is ongoing rulemaking and development of all of
8 the various measures.

9 So that your comment sounded more specific to the
10 ongoing cap-and-trade rulemaking.

11 NORMAN PEDERSEN: Good morning, Jeannie. Norman
12 Pedersen for Southern California Public Power Authority.
13 Good to see you.

14 I was hoping to get just a little clarification on how
15 some of the tables worked. For example, you start out with
16 Table 1.2-1, which is basically taken from the 2008 Scoping
17 Plan, showing what we would get from the complimentary
18 measures.

19 Then you presented Table 1.2-3 as a revised 2020
20 baseline of 507 million metrics tons. And then you show
21 the reductions from complimentary measures as being 58
22 million tons. Quite a drop from 112 million tons we had in
23 the 2008 Scoping Plan.

24 I was wondering if you can walk us from where we were
25 in 2008 to where we are with the five -- with the 58

1 million tons.

2 I'm assuming part of the explanation is that some of
3 the 112 million tons are no longer included in the
4 reduction from measures line because you've gotten to the
5 507 million by assuming Pavley will be achieved and
6 assuming 20 percent will be achieved. I don't know if I'm
7 correct in making that assumption.

8 Can you provide something of a walk-thru from the
9 table on complimentary measures that we had from the 2008
10 Scoping Plan, Table 1.2-1 to where we are with Table 1.2-3
11 showing where we are today?

12 UNIDENTIFIED SPEAKER: What page is that?

13 NORMAN PEDERSEN: 12. Table 1.2-3 is on Page 12.
14 Table from the 2008 Scoping Plan is on Page 9.

15 EDIE CHANG: I think, you know, for some of us I think
16 I'll defer to Jeannie's response to the gentleman from
17 Environ. But, generally, I did want to -- you did mention
18 that as we talk about the baselines, there are things that
19 did change between 2008 and when we did this Supplement.
20 And one of them is with the economic downturn. We saw a
21 reduction in the BAU emissions estimate for 2020.

22 The other piece of it that accounts for a fairly
23 substantial portion of it is what you've mentioned. In the
24 Scoping Plan, we didn't consider the first phase of the
25 Pavley Regulations and the 20 percent per RPS in the

1 baseline.

2 And when you look at the 507 number that we were
3 calling the baseline in the Supplement and that we used as
4 the baseline in Cap-and-Trade Regulation, we included
5 Pavley and the 20 percent RPS in that. That accounts
6 for -- trying to do the math in my head -- something like
7 35 million metric tons of reductions that went from not in
8 the baseline into the baseline. That is a big chunk of
9 what that is.

10 NORMAN PEDERSEN: Do you have an idea of about what
11 other complimentary measures might have been outside of the
12 baseline in 2008 that have now moved into the baseline?

13 EDIE CHANG: Those were the two.

14 NORMAN PEDERSEN: Okay. So we still have a little bit
15 of gap.

16 EDIE CHANG: Right.

17 NORMAN PEDERSEN: Just one other quick question. I am
18 gathering we don't have the technical staff who put
19 together the numbers here.

20 On the Table 1.2-2, I couldn't quite get the numbers
21 to add up. For example, I looked at electricity. I see a
22 total for imported electricity from about 98.3
23 million tons. That does not quite match up with other
24 numbers on, you know, projecting the BAU 2020 forecast
25 electricity. Then I notice up in the uncapped sector,

1 seems like you have electricity tons.

2 Do you have any insight as to what is going on with
3 Table 1.2-2 and why we don't have the numbers quite
4 matching? It seems either the 2008 forecast or updated
5 forecast -- I might be --

6 JEANNIE BLAKESLEE: It looks like we need to do a
7 little more work on clarifying how we got to baseline. You
8 bring up really good points. I know you well enough to
9 know that you've probably submitted some comments or you're
10 about to. This is of real value. So we're getting a
11 broader picture about what people might be confused about.
12 Thank you.

13 And, of course, we would -- I reiterate we would be
14 really happy to meet with everybody or anybody that wants
15 to speak with us --

16 NORMAN PEDERSEN: That might be --

17 JEANNIE BLAKESLEE: -- for additional clarification.

18 NORMAN PEDERSEN: Thanks a lot.

19 DAVID BRENTLINGER: Good morning. David Brentlinger.
20 I'm with New Forests. We are a -- we're a company -- we're
21 a mission driven -- did you hear my name? We're a mission
22 driven company that's dedicated to using environmental
23 solutions for environmental problems. And I really wanted
24 to be here to voice my support for the cap-and-trade
25 approach outlined in the scope and proposal and the options

1 here.

2 We have been a supporter of that. We continue to do
3 so. And one of the benefits of that that is worth
4 mentioning is our own experience, which is in taking a
5 market approach to carbon emissions. We hire people to
6 approach this problem. We've done so. We're a national
7 company here. We could have located anywhere in the
8 country. We chose to locate ourselves in San Francisco
9 because of the cap-and-trade legislation in California.

10 We hire staff. We -- the benefit of this alternative
11 is the fact that it does provide a market approach to
12 solving environmental issues. In the course of this, we
13 will raise -- we have raised funds to attack carbon
14 emissions. This will go and has gone towards hiring
15 attorneys, foresters, paying for carbon inventories.

16 These are benefits, I think, to California in
17 approaching the problem in a way that isn't a burden to the
18 state and can bring in an intellectual cap. It will be to
19 solving the problem as well as funding, which is not tax
20 based.

21 So I encourage you to consider that added advantage to
22 Alternative 2 in the cap-and-trade system, which it brings
23 a lot more resources to bare to solve the problem and we're
24 happy to be a part of that.

25 Thank you.

1 JEANNIE BLAKESLEE: Thank you.

2 MICHELLE PASSERO: Hi. Michelle Passero with The
3 Nature Conservancy.

4 First, we are supportive of the Scoping Plan. We
5 think that the current is a sound one for trying to reduce
6 emissions in California most efficiently and effectively.

7 I had a question on the Supplement. It is -- there
8 has been some discussion on the treatment of the forest
9 biomass for energy within the Cap-and-Trade Program. And
10 it seems like this Supplement might be an opportunity to
11 bring a little more discussion around the potential impacts
12 made, positive benefits of the use of forest biomass or
13 renewable energy and distribution potentially associated
14 with that from the forest land base.

15 And given some of the discussions we had with ARB
16 staff around this issue -- and we've had very constructive
17 ones -- we had that discussion with respect to the
18 Supplement. And we need to have sort of a little more
19 information on that potential issue here in the Supplement.
20 I don't know. Maybe you've had that discussion and made a
21 decision on that but it would just be good to know.

22 JEANNIE BLAKESLEE: I want to know, you're asking for
23 a little more discussion within the -- within the construct
24 of the Cap-and-Trade Alternative to include a bit more
25 discussion regarding biomass?

1 MICHELLE PASSERO: Yeah. I think that would be a
2 "yes." Yes.

3 JEANNIE BLAKESLEE: Okay. I want to make sure I've
4 captured that.

5 MICHELLE PASSERO: I would be happy to, you know,
6 provide more information and discussion, if you would like.

7 JEANNIE BLAKESLEE: Thank you very much. I appreciate
8 that.

9 JOHN LARREA: Hello. John Larrea with the California
10 League Food Processors.

11 I guess, you know, the Court decision required -- they
12 said your environmental analysis was sufficient but the
13 alternatives analysis was not.

14 I know that, based upon the fact you are a state
15 entity, that you can do a kind of truncated analysis here.
16 You don't have -- it does not require a full EIR.

17 I was hoping -- at least among our members, we would
18 like a little more in depth on economic impacts associated
19 with the alternatives themselves.

20 It is very difficult for us to judge based upon what
21 we see here, you know, whether or not the alternatives
22 represent what types of choices, for us, based upon not
23 only our markets but also our operating procedures,
24 especially those represented in the valley.

25 So a little more -- you know, I know it is not

1 required but I think in terms of this and especially in
2 light of the recession, it would really be helpful for all
3 of those of us who are not those over a hundred million
4 tons emitters but those that are going to be functioning
5 and trying to (a) prevent leakage from taking away our
6 business or from trying to move out of California; that
7 more economic analysis would help us make that decision as
8 to which alternative would be best.

9 JEANNIE BLAKESLEE: Those are valuable points. CEQA
10 does not require economic analysis.

11 However, I can certainly appreciate how economic
12 effects can be an indirect environmental impact. I think
13 that is what you're getting at.

14 Is that true?

15 JOHN LARREA: Yes. And we will be putting in
16 comments, too.

17 JEANNIE BLAKESLEE: That will be very valuable. Thank
18 you.

19 REID STOCKTON: Hello. My name is Reid Stockton. I'm
20 with the Center For Community Pharmacy and Ecology. I will
21 be submitting written comments. I'll relieve you in
22 advance of the burden of responding today.

23 I did want to get this in front of you now; though I
24 have a few recommendations that I would like to ask ARB to
25 consider. In general, I believe that the Supplement

1 overstates a bit the ability of cap-and-trade to meet the
2 objectives of AB 32 and understates the environmental
3 impacts of Alternative 2, the Cap-and-Trade Alternative.

4 It does both of those essentially by not giving
5 adequate weight to the -- to the mandate included in AB 32
6 to avoid disproportionate impacts of communities of color
7 and low-impact communities to ensure that GHG reductions
8 compliment existing air quality regulations and to reduce
9 toxic air contaminates.

10 In addition, the range of alternatives considered, I
11 find it to be a bit lacking in terms of both range and
12 depth -- breadth and depth. For example, one of the
13 obvious things that I think should get expanded
14 consideration is the possibility of restricting trading to
15 covered entities that do not do business in communities
16 that are already over burdened with toxic air contaminates.

17 Just in terms of the context for these comments, there
18 are several things we already know. We know GHG emissions
19 generally come bundled with other toxic air contaminates.
20 That is something ARB itself noted in its previous
21 responses in the Scoping Plan.

22 We also know that there are existing communities that
23 are already over burdened with toxic air contaminates and
24 the consequent health impacts. And we know that AB 32
25 directs ARB to consider those facts. And what we think we

1 know is that all CO₂e is interchangeable. That is really
2 the underlying assumption of all cap-and-trade programs.
3 If you make a reduction in one place, you know, there is a
4 reduction in another place. The truth though is there is
5 growing evidence that is not, in fact, the case. Professor
6 Mark Jacobson of Stanford Civil Engineering Department
7 found that -- and I'm quoting here -- "reducing
8 globally-emitted CO₂ will reduce local air pollution
9 mortality, even if CO₂ in adjacent regions is not
10 controlled. This result contradicts the basis for air
11 pollution regulations worldwide, none of which considers
12 controlling local CO₂ based on its local health impacts.
13 It also suggests that the implementation of the
14 cap-and-trade policy should consider the location of the
15 CO₂ emissions as the underlying assumption of the policy is
16 incorrect."

17 So what all of this boils down to, I think, is that it
18 is important to take advantage of the opportunity ARB has
19 right now. In order to do that, I have a couple of few
20 recommendations that I would like to make.

21 First, I believe ARB ought to recognize the principles
22 that all CO₂e is not equal. The nature and allocation of
23 emissions has to be considered in the creation of a
24 greenhouse gas reduction program.

25 Second, ARB should prioritize CO₂ reductions in

1 communities that are already heavily impacted by toxic air
2 contaminates.

3 Third, I believe ARB should reconsider the
4 recommendation pursuing the Cap-and-Trade Program in light
5 of the preceding principles and priority.

6 And prior to reaching a decision, I want to reconsider
7 a GHG reduction program. ARB should hold hearings to
8 evaluate that recommendation in communities that are
9 already heavily impacted by toxic air contaminates.

10 Just in conclusion, I would like to comment that it is
11 a bit disappointing that ARB has chosen to merely expand
12 the discussion of the alternatives that were already
13 considered.

14 There is an opportunity here to re-examine the
15 available alternatives to take seriously the EJ concerns,
16 the Environmental Justice concerns that are highlighted in
17 the lawsuit, which prompted the production of the
18 Supplement.

19 Let's be frank here for a second. The AB 32 mandated
20 the creation of Environmental Justice Advisory Committee
21 and 7 of the 11 members of that committee were parties to
22 the lawsuit that were brought. I think that speaks to the
23 kind of relationship that ARB has with that Environmental
24 Justice Advisory Committee.

25 There is an opportunity here to repair the

1 relationship with communities of color and low-income
2 communities and I think ARB needs to take advantage of that
3 opportunity.

4 Thank you.

5 JEANNIE BLAKESLEE: Thank you.

6 BRENDA CHANG: Hi. I'm Brenda Chang. I'm with ICF
7 International and I am a team specialist. I work a lot on
8 climate action plans. This is pretty relevant to what
9 we're doing, especially since this has implications on what
10 we need to change in terms of how we help our clients
11 reduce or meet their AB 32 goals.

12 First of all, I think we've talked a little bit about
13 the measures and whether or not there is documentation on
14 the calculations. I think that is really important. And
15 the transparency of the calculations is really important to
16 us, too, in how we can help our clients to show them how
17 their measures are -- are aligned with ARB's methodology.

18 So in terms of that, I'm trying to make a
19 recommendation on hoping that the calculations will show
20 the effectiveness -- the change of the effectiveness of the
21 measures as they apply to the BAU emissions and changes in
22 the baseline or other assumptions. And also I was
23 wondering what the estimated timeframe is in which we might
24 expect the documentation? Would it be like within a year
25 or two to three years or when the Board finally approves

1 the document -- the revised Supplement, I guess?

2 JEANNIE BLAKESLEE: Brenda, you bring up some really
3 good points. We will be clarifying our -- the way we got
4 to where we got to. I'm sorry about that.

5 But I encourage you to submit written comments because
6 your comments are multi-level.

7 It sounds like the methodology that was used can be
8 used for people who are preparing their climate action
9 plans. There may be some guidance we can provide. So this
10 isn't -- this wouldn't be necessarily a bad thing. It can
11 be a useful tool is kind of what I'm hearing. Am I
12 correct?

13 BRENDA CHANG: Uh-huh.

14 JEANNIE BLAKESLEE: So we'll probably -- you know,
15 we'll be happy to meet with you to get some more clarity on
16 this. We'll look forward to receiving your written
17 comments as well.

18 EDIE CHANG: Let me clarify the methodology for how we
19 developed the Scoping Plan estimates. It is contained in
20 an appendix in the Scoping Plan. I don't remember the
21 name.

22 BRENDA CHANG: J or something?

23 EDIE CHANG: Volume 3. It has a significant amount of
24 detail in how we calculated the benefits of the measures in
25 the Scoping Plan. For every regulation we've adopted,

1 there is a discussion in the document about how we've
2 calculated the benefits. So that is -- that stuff is
3 already all out there. I think what we've really been
4 talking about is sort of the adjustment of you have this
5 method in the Scoping Plan. There is new information
6 because of the economic downturn. There is new information
7 because there was a regulation adopted. It got "x" many
8 times. We pulled it out of there.

9 I want to clarify in terms of, you know, folks
10 understanding sort of being able to use it in their climate
11 action plan and methodology, that information is out there
12 already and has been documented.

13 BRENDA CHANG: Thanks. And timing?

14 EDIE CHANG: It sort of depends on -- you know, some
15 of the information you're asking for is already out there.

16 BRENDA CHANG: I know. I'm saying like those
17 adjustments that are not published, whether they will be
18 available and when?

19 EDIE CHANG: We'll take a look at that.

20 BRENDA CHANG: Okay.

21 TIMOTHY O'CONNOR: Hi. Good morning. My name is Tim
22 O'Connor. I work with Environmental Defense Fund. I
23 wanted to make two points today.

24 One is that obviously the Scoping Plan is -- it is
25 the high level plan for how to reduce emissions in

1 California. It identified a number of measures in there,
2 many of which have already been implemented. And ARB is
3 doing a great job walking us through the individual
4 measures in actually reducing emissions in California. It
5 has really been important to continue on in that process.

6 I think as a programmatic EIR, one of the benefits of
7 redoing some analysis like this is that it looks at how,
8 even with an update in the emissions of California or the
9 emission reduction, we need to achieve to get to 1990. It
10 is going to be a mix of measures, which is going to be the
11 best approach to reducing emissions. Some of those
12 measures, direct emission control, some of them financial
13 incentives, some working with local governments. One of
14 them, which EDF feels is important, is the Cap-and-Trade
15 Regulation.

16 By working together with all of those regulations, we
17 find that it would be the most economically effective as
18 well as the most environmentally effective opportunity to
19 get to the 1990 goals. We think the range of analysis that
20 goes into the alternatives which you put forward really
21 document that.

22 And we're going to really support, of course,
23 re-adoption of the Scoping Plan as written. And I see that
24 in this analysis it says that the Proposed Scoping Plan is
25 substantially similar or even identical to the prior

1 Scoping Plan, which is adopted; and that is something we're
2 going to support. That does not mean every regulation ARB
3 puts out there can just be written or done in a way that
4 isn't protective or does not respond to the individual
5 considerations of the sources or of the public health
6 surrounding those communities.

7 So it is going to be really important for ARB to
8 develop the regulations as they move forward with the
9 Advanced Clean Car Regulation or Cap-and-Trade Regulation
10 to be protective of communities and really responsive to
11 the issues that deal with the individual aspects of trading
12 or whatever it may be.

13 We really look forward to working with ARB and seeing
14 the FED that comes out of the individual regulations and
15 how, in particular, in a Cap-and-Trade Regulation ARB can
16 be protective of communities. That is one of the reasons
17 we do support a regulation like that.

18 We think there are things ARB can do and things ARB
19 has proposed to do already in those documents that are
20 going to be protective of the communities and able to
21 reduce emissions in California throughout California and
22 get us to the 1990 goals. I think we need to be working
23 together and figure out opportunities to develop that and
24 other regulations to be the most responsive to communities;
25 but that is something we really look forward to and,

1 obviously, you have a big challenge ahead of you between
2 now and October and now and over the course of the next
3 decade to make sure that is going to happen. We'll be
4 looking forward to that.

5 I wanted to say thank you also for taking the time as
6 required by the Court but to really go into a thoroughness
7 of detail required to really show a mix of measures that
8 incorporates all of the things that ARB has already talked
9 about and is going to get us to 1990.

10 So thank you.

11 MICHAEL WANG: Hi. Mike Wang with the Western States
12 Petroleum Association.

13 We wanted to say it is very clear the Supplement is a
14 comprehensive document. We wish we had a little more time
15 to review it but nonetheless we stand before you. We
16 recognize that ARB addressed a lot of the issues that have
17 been identified as being needing further details.

18 We're going to concentrate our comments for today and
19 our written comments on things that are specific issues or
20 concerns to our industry where we have specific expertise.

21 We are going to defer comments on the studies of land
22 use and things like that to those who are specialists in
23 the field.

24 After reviewing the Supplement, our position remains
25 unchanged. We think that well-designed market-based

1 systems are the most cost-effective way to reduce global
2 greenhouse gas emissions. We see a Cap-and-Trade Program
3 as one such market-based system.

4 We know that the Supplement has identified a
5 Cap-and-Trade Program as an option that seems to be most
6 viable in short-term. Given the challenges facing ARB and
7 the state, we agree with that assessment.

8 We will continue to engage with ARB in efforts to
9 initiate a program that is cost-effective and
10 environmentally sound.

11 We continue to believe -- and I think you've seen that
12 even in your document -- that command and control
13 regulations are not an appropriate way to achieve goals of
14 AB 32 because of their cost inefficiencies.

15 California acting alone using a command and control
16 program does nothing to address the need for significant
17 global GHG reductions.

18 Furthermore, command and control regulations don't
19 allow California to link with other programs. Linkage has
20 been a key program element that was a fundamental
21 underpinning of AB 32.

22 We do see some opportunities for Alternative Number 5,
23 as there may be some means to productively combine the
24 flexibility with constraints.

25 So in short, we believe a Cap-and-Trade Program must

1 not include fuels under the cap, recognize trade exposure
2 to ensure free allowance for trade exposed industry,
3 include linkage to other programs, include access to
4 minimize leakage, and have adequate program review
5 including criteria to assess the efficient function of the
6 market and actions that could be taken if disruptions in
7 the market occur as expanded.

8 We'll submit comments.

9 JEANNIE BLAKESLEE: Anybody else?

10 JULIA MAY: Hi. I'm Julia May for Communities For a
11 Better Environment. I'm the -- the CBE's senior scientist.

12 I've got my laptop here. I wanted to read you a
13 couple quotes. I wanted to make a couple statements
14 responding to what some of the people said earlier. It is
15 that -- that we can somehow deal with the Environmental
16 Justice issue later. And it is not responsive to the
17 communities of color to say we're going to adopt
18 cap-and-trade and go ahead with this proposal and then
19 later on check back in on the emissions. That is not
20 responsive.

21 The EJ issues -- we appreciate that you're holding
22 this public process but so far the EJ issues have been
23 treated as if they were a marginal special interest problem
24 and not a serious health problem; when, in fact, the
25 majority of emissions covered by cap-and-trade are located

1 in communities of color that bare severe burdens. For
2 example, Wilmington, California has about a third of the
3 entire state's oil refining capacity. So this is not a
4 marginal site issue. This is the heart of the industrial
5 corridor of California. We have to address it. Not only
6 does it mean we solve the greenhouse problem but we would
7 also solve the toxic and smog problem. This is really the
8 heart of the issues for all California to reduce greenhouse
9 gas and clean up smog and clean up toxics.

10 I have to say that the questions that people have put
11 about the lack of documentation in the FED -- we have to
12 agree with that. We thought that you would provide more
13 detail today.

14 Again, it is not sufficient to say we should look back
15 at the 2008 document for the details of the appendix. We
16 need the technical details. The EJ community has submitted
17 hundreds of pages of technical documents and really led the
18 effort to propose specific economically feasible
19 technological solutions that are direct regulations that
20 will work to clean up the pollution in these communities in
21 California.

22 And relying on a four-year-old appendix and then
23 changing the calculations now, it just does not come up to
24 the standard that the community needs. People have done
25 their homework and tried really hard to take part in the

1 public process.

2 We also need ARB to seriously respond and provide us
3 with the technical details.

4 I want to -- you know, I gave the example of
5 Wilmington. I want to say I think you've realized in the
6 case of Richmond California where Chevron is located,
7 Chevron has been attempting to switch to a heavier crude
8 feedstock, which is much more energy intensive. It has
9 been proven that California's oil refinery industry is
10 switching to a heavier crude feedstock. It uses a lot more
11 energy to refine. It also means there is much more
12 concentration of hazardous materials in the refineries as a
13 result. So both as a matter of the higher carbon of the
14 crude feedstock in addition the higher sulphur content.
15 This is not being addressed by any of the Scoping Plan.

16 The LCFS does not include emissions directly from the
17 oil refinery. Check with your staff. They've confirmed
18 that with us.

19 In addition, the cap-and-trade proposal which ARB has
20 clearly stated in other forms that you intend to go ahead
21 with the regulation and that you're continuing to develop
22 them right now, it is -- that does not require any
23 reduction at all from oil refineries. I'm also using
24 oil refineries as an example of all of the other
25 industrial problems that communities of color face in

1 California. That is the largest one.

2 And it is really unfair and impractical to have zero
3 reductions for the largest industrial sector in the state
4 that has not only these huge greenhouse emissions but also
5 benzene toxic sulfur emissions.

6 We're missing the opportunity to clean up these
7 problems. Big opportunity. But we're also going to make
8 the problem worse through cap-and-trade.

9 This is not just a theoretical problem. We've looked
10 at the evidence from Europe. And also Columbia University
11 did a study of cap-and-trade programs. In every single one
12 they've studied, including the Acid Rain Program, it
13 suffered from over-allocation at least in the early years,
14 if not fatally flawed -- if not causing the programs to be
15 fatally flawed for all years because of over-allocation.

16 If you have too many cheap credits, there is no
17 incentive for the polluters to reduce. That has proven to
18 be the case in all of the ones they've studied.

19 In addition to the International Energy Agency in
20 Europe looked at these programs and studied them and said
21 that they were, in general, not ambitious enough. They
22 suffered from banking in early years. That meant you
23 didn't get the reduction in later years. The companies got
24 windfall profits. Credits were too cheap. And they also
25 said it was not necessarily in the economic interest of the

1 people because of the public because -- let me see if I can
2 find a quote for you -- because they did not prevent price
3 increases to consumers. And they also put companies that
4 were doing better at a disadvantage because they had to
5 compete with companies who could buy cheap credits and not
6 reduce their pollution.

7 There is a lot of evidence that cap-and-trade is not
8 working. It's not a theoretical issue. It has been shown
9 repeatedly.

10 We also know by common sense cap-and-trade will not
11 solve the problems directly in our communities.

12 We have proposed many specific solutions that work.
13 An example, oil refinery boilers and heaters. Many
14 ancient, very large units at oil refineries that power this
15 industry are being allowed to voluntarily reduce their
16 emissions instead of being required to reduce them
17 directly, even though it is well-known and well-established
18 they could come up to modern standards for efficient
19 boilers and heaters.

20 Your own documents show this would actually save them
21 money and -- while reducing emissions because the fuel
22 costs are high. They're going to do it anyway eventually
23 when it is convenient for them because it saves them
24 money; but, instead, they're going to be allowed to use
25 those pollution credits to offset other increases in

1 emissions.

2 We know that these sources are already causing a big
3 health toll in California communities of color. They're
4 causing smog regionally. They're a huge greenhouse gas
5 source. You guys have the experience to clean it up. You
6 have the technical expertise in-house. Right now it does
7 not look like your scoping document is seriously
8 considering doing this. We really hope we're wrong about
9 that.

10 And I just would end with -- there is a lot I can say
11 about this but we want to see the documentation from you.

12 There have been so many questions across the board
13 from everybody here about the technical issues, the
14 baselines you're using, the changes in the numbers since
15 2008. And we want you to seriously look at the
16 economically feasible solutions that will comply with AB 32
17 and will really address the health issues that people
18 suffer from severely. This is the best solution for
19 everybody in California economically and health-wise.

20 Thank you.

21 DAVID OPPENHEIMER: My name is David Oppenheimer. I'm
22 unaffiliated but I'm coming from about 18 years of
23 emissions trading experience locally, national and
24 internationally.

25 And I want to exhort ARB towards simple and

1 transparent trading programs. Focus on reductions in the
2 programs and absolutely, please, address the concerns that
3 Julia has just raised, Mr. Stockton, Mr. Larrea in
4 appropriate venues. Answer the questions but make trading
5 simple because otherwise it is a disaster.

6 ANDRE TEMPLEMAN: Hi. Andre Templeman for Macquarie
7 Energy. I'm here just as an observer today.

8 We did want to thank ARB for all of the work they have
9 been doing. We are cognitive of the fact this is a very
10 complex program.

11 Two comments we wanted to make was that in our
12 experience in different international markets we do believe
13 there are solutions for a lot of the problems that have
14 been brought up today or a lot of the concerns brought up
15 today within the cap-and-trade market mechanism, as was
16 just stated. You know, an important factor to consider is
17 liquidity efficiency and fundability so that the trading
18 actually happens in an efficient, economical manner.

19 We would invite anybody who has got questions about
20 ways the market can do that to come to us and we are always
21 open to talk about that.

22 The other point we want to make is key and something
23 that people are not always cognizant about is the market
24 itself has already started trading these products 18 to 24
25 months ago. Most of the economic decisions that need to be

1 made have a 24 to 36-month life period. I think one of the
2 things we advocate is not to let the perfect be the enemy
3 of the good. Every delay that happens for this market does
4 have an impact on the ability of the market to offer
5 solutions out there. And that there is -- you know, it is
6 already trading and the market is already there. So to
7 assume it isn't there because it has not started yet would
8 be a fallacy.

9 THE REPORTER: Can I get your name again, sir?

10 ANDRE TEMPLEMAN: Andre Templeman, Macquarie Energy.

11 MIKE SANDLER: Good morning. My name is Mike Sandler.

12 I have worked for many years in climate protection in
13 Sonoma County in a variety of organizations. I'm here as
14 an individual representing myself today.

15 I appreciate the opportunity to comment today and I
16 think that revisiting the Scoping Plan continues to be
17 multi-year that CARB has initiated several years ago and
18 offered many opportunities for public comment, which I
19 tried to participate in in regards to market mechanisms,
20 cap-and-trade and some design elements that I want to refer
21 to quickly.

22 The carbon size is the goal of the program and the
23 cap-and-trade is the method to achieve that. The design
24 elements of the cap-and-trade will determine the
25 effectiveness at reducing emissions and the distribution of

1 the environmental and economic impacts and benefits.

2 For example, a price war on the cap-and-trade system
3 will make cap-and-trade behave a lot like a fee. I think
4 you've mentioned that in your presentation.

5 The program will be unsuccessful if it does not
6 persist. Your goal is not to implement a cap-and-trade
7 system for two or three years and have it go away. It is
8 going to need popular support from the people of
9 California.

10 I'll relate a brief anecdote about the regional
11 greenhouse gas initiative in the northeastern states. They
12 auctioned permits, which was a step forward from the
13 previous cap-and-trade programs and used the majority of
14 revenues for energy efficiency in related programs. But
15 there was a lack of transparency to the average consumer
16 who didn't see the direct benefit to themselves. This
17 allowed the state to raid the funds to plug budget
18 deficits.

19 Later, when the governor of New Jersey -- the new
20 governor -- withdrew from the program, there was no voter
21 constituency mobilized to defend the program.

22 I raise that because I believe that dividends are an
23 important design element for the cap-and-trade system. The
24 concept is often called cap-end dividend. It would be a
25 way to bridge the legal and political divides between CARB and

1 some of the plaintiffs in the lawsuit and between the
2 previous governor's vision and hopefully the current
3 governor's goals. The dividends can be part of both the
4 cap system or a fee, and it can apply to both the
5 electricity sector and the transportation sector.

6 The state convened the experts in the Economic
7 Allocations Advisory Committee, EAAC. Their report
8 recommended the largest share of allowance by the return to
9 California households.

10 We believe -- I believe the dividends should be equal
11 for all people. This goes back to the concept of the
12 ownership of the shared commons; and that larger users of
13 electricity of transportation fuels do not own more of the
14 commons. They should compensate others who share in the
15 ownership of the commons here.

16 I'll just quote briefly. A professor, James Boyce,
17 who is a member of the EAAC committee, he wrote in a blog
18 recently: "Pollution burdens should be disputed fairly, as
19 advocated by the Environmental Justice movement, rather
20 than concentrated in particular communities. And polluters
21 should pay for their use of the limited waste-absorptive
22 capacity of our air and water. In keeping with the
23 principle that the environment belongs in common and equal
24 measure to us all, the money the polluters pay should be
25 distributed fairly to the public, as we're the ultimate

1 owners of the air and water." That is the end of the
2 quote.

3 Those policies adopt -- if they're adopted here, can
4 have international application. You've probably followed,
5 as I have, with frustration the lack of progress the UN
6 conferences and conventions. But the poorest people in
7 Africa and elsewhere may not have access to cars or
8 electricity but they do have a right to a portion of the
9 limited global emissions allowed under a global cap. The
10 idea to distribute shares or revenues from payments from
11 upstream emitters to all individuals globally, California
12 can start us down this path. Everyone gets the same
13 dividends or same shares. People get paid. And as they
14 receive checks in the mail or on their debit card, they
15 gain an understanding we're all involved in climate
16 protection together.

17 California and CARB can provide the template for
18 national and international climate policy that provides
19 equal dividends or shares to all Californians.

20 Thank you.

21 JEANNIE BLAKESLEE: Anybody else?

22 NIDIA BAUTISTA: Good morning. Nidia Bautista for
23 Coalition For Clean Air. In addition to the request for
24 the economic analysis, I was also wondering when it -- if
25 we would be able to receive an updated table in light of

1 the fact you have a new analysis on the emissions
2 reduction? Do you anticipate? Because business-as-usual
3 scenarios are updated.

4 I also was hoping you would be providing us with
5 updated tables detailing each of the reductions, each of
6 the measures in the original Scoping Plan and what the
7 anticipated scoping change would be in light of the change.

8 I recommend that it's outside the FED but very much
9 related to the Scoping Plan to adopt. So do we know when
10 and if we'll be receiving that?

11 JEANNIE BLAKESLEE: We'll be responding to comments
12 and making any necessary changes in the final document and
13 that document will be posted on the web prior to the Board
14 hearing.

15 NIDIA BAUTISTA: Thank you.

16 JEANNIE BLAKESLEE: If there is no one else, we
17 can adjourn this workshop. And I thank you all for
18 coming. And please submit your comments.

19 Thank you so much.

20 (The public workshop concluded at 12:00 p.m.)

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1 REPORTER'S CERTIFICATE

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4 STATE OF CALIFORNIA)
5) ss.
6 COUNTY OF PLACER)

7 I, DESIREE C. TAWNEY, a Certified Shorthand
8 Reporter in the State of California, sworn and
9 disinterested person, certify:

10 That the foregoing public workshop was taken
11 before me at the time and place therein set forth;

12 That the foregoing public workshop was recorded
13 stenographically by me and was thereafter transcribed into
14 typewriting;

15 That the foregoing public workshop is a verbatim
16 recording of the testimony of the public and others,
17 said transcript being a true copy of my stenographic notes.

18 IN WITNESS WHEREOF, I subscribe my name this 20th
19 day of July, 2011.

20
21 _____
22 DESIREE C. TAWNEY
23 CSR No. 12414
24
25