





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

February 16, 2010

Ms. Linda Rudolph
California Air Resources Board
1001 I Street
Sacramento, CA 95814

**RE: AB 32 Implementation Group Comment Letter on Working Draft
Cap-and-Trade Health Impact Assessment Framework**

Dear Ms. Rudolph:

The AB 32 Implementation Group is a coalition working for the development of cost-effective and technologically feasible regulations to meet the environmental and economic goals of AB 32. We are concerned about the impact of the proposed public health impact analysis (HIA) on the development of the cap-and-trade regulation.

A major reason to pursue a cap-and-trade program is to encourage innovation, flexibility and lower costs to achieve greenhouse gas emission (GHG) reductions. The complementary policies of the scoping plan achieve over 80% of the reductions we need, while the 19% of the reductions we hope to achieve in cap-and-trade will allow industries to do what makes sense to them: reduce at their facilities, purchase reductions from other sectors of the economy, or trade with other industries. Adding restrictions and impediments on the cap-and-trade program will defeat its purpose, raising costs and encouraging leakage of emissions and jobs to other locations.

Nevertheless, if cap-and-trade or other regulations have a negative impact on public health, it is important to take steps to prevent or mitigate such impacts. We have the following comments about the proposed HIA analysis:

First, the HIA is being conducted prior to a valid economic impact analysis of AB 32. The economic analysis for AB 32 was due in December 2008, was discredited and ordered to be redone by the end of 2009. But we are still waiting for this study, now estimated to go to the CARB Board in March. The economic impact of AB 32 includes energy cost increases and potential job loss and/or dislocation, (see the recent report by the EAAC) which will have significant public health impacts. For this reason we recommend that the HIA await valid information on the cost impacts of AB 32 regulations.

Second, the HIA should not necessarily lead to cap-and-trade design constraints to address such impacts. Instead, CARB should ensure compliance with existing laws to protect the public health and consider use of allowance value to directly address impacts caused by cap-and-trade. The cost to prevent all possible health impacts through a design feature would be significantly higher than the cost to directly address public health impacts that actually occur. We continue to believe a better way of achieving the benefits of both GHG market based programs and localized co-pollutant reductions is to separate the two programs. Environmental justice concerns can best be addressed

through complimentary policies that specifically focus on criteria pollutants in neighborhoods of concern. This approach would avoid sacrificing the many economic and environmental benefits of a GHG cap-and-trade and offsets program while making it possible to target environmental justice concerns more effectively.

The elements of such a program would include:

- Setting appropriate criteria for a localized co-pollutant program to address any increase in localized air pollution resulting from the GHG cap-and-trade/offset program. Calculate an appropriate co-pollutant emissions reduction target, limited to any increase of co-pollutant emissions resulting from a cap-and-trade/offset program, minus co-pollutant reductions achieved from other regulatory elements of the AB 32 Scoping Plan.
- Commensurate funding for the program limited to the criteria outlined above, if revenues are raised in a cap-and-trade program.
- Providing these funds to local air districts based on the population in the district. Most local air districts already have programs to reduce emissions impacting environmental justice communities such as Moyer Funds, and have the expertise to effectively use these funds to supplement those programs or create other programs for this purpose.

- Ensuring that co-pollutant emissions reductions are achieved in conjunction with an activity that provides GHG reductions.

Finally, the fact that higher costs will impact jobs and consumers and will also impact public health is recognized in the HIA, but not to the degree appropriate. The analysis depends on facility-by-facility, qualitative rather than quantitative, methodology which will tend to discount the broader public health impact of higher costs. Ironically, those higher costs will disproportionately impact low-income consumers across the state, including those in the regions who are intended to be protected by cap-and-trade program constraints. This is another reason to develop a cap-and-trade program with no design restraints that would raise costs.

Thank you for the opportunity to comment on the working HIA draft.

Sincerely,



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