

Mary Nichols – October 20, 2011
Chair's Opening Statement on Cap-and-Trade Proposed Regulation

We do have three items on today's agenda that are going to be presented together: The response to comments on the environmental analysis for the cap and trade regulation, the Adaptive Management Plan, and the final cap and trade regulation, include four compliance offset protocols.

This is an important milestone in a long process. As required by the California Global Warming Solutions Act of 2006, better known as AB 32, the Air Resources Board adopted a Scoping Plan to reduce greenhouse gas emissions in the state to 1990 levels by 2020. The Scoping Plan includes a large and diverse set of tools to achieve the emissions reductions that are needed to achieve that goal.

One of those tools that was described in the Scoping Plan is a market-based program for trading emissions: the cap and trade regulation. But in order to actually design and develop that program, it's taken a period of several years, including a great deal of thought about alternative ways to get those reductions.

Because the cap and trade regulation places a cap on emissions, it helps to ensure that we will reach our greenhouse gas emissions reduction goals. The program sends a clear signal to the global investment community that an investment in California's clean technology and clean energy industries will be rewarded, maintaining our status as a magnet for clean tech investment.

I do want to take just a minute before we actually launch into the discussion about the specifics to consider what it is that we're doing here today in its context.

For at least a half a century, every American President and many of our other national leaders have called for the United States to move away from our dependence on foreign oil and become energy independent, whether it was under Ford or Nixon or Carter and now, President Obama, they've almost always used identical language. What they called for was a way to break our dependence on oil. For over 50 years, we have not even come close to making a dent in that dependence. In fact, on the contrary, we're using more and more petroleum, with more of it coming from outside our borders.

The main reason why we have not succeeded in addressing our addiction to petroleum is because we weren't using the right set of tools. Cap and trade is one new tool that is available that for the first time allows us to provide a reward for doing the right thing. We're finally able to utilize the power of our economy to address the petroleum habit by putting a price on carbon and thereby making it more attractive and more possible for people to do something other than burn fossil fuels.

The sources that produce those climate-forcing gases are the same sources that produce the pollution that cause smog. Under cap and trade, those that find alternatives to fossil fuels as a source of energy or those who use less of them will benefit. Those

that improve the efficiency of their operations will benefit. Those that are unable to make the necessary transition to clean energy will not profit from that, but will contribute to pay for the cleanup.

Cap and trade provides a reasonable and flexible approach to steer our economy towards cleaner sources of energy. Cap and trade on its own is not the solution. It works with a suite of other programs, including standards for ultra clean cars, low-carbon fuels, and renewable electricity. And while cap and trade by itself does not reduce an overly large proportion of our greenhouse gas emissions, it is the cap stone to the other programs. It literally provides the cap.

But by putting a price on carbon, cap and trade sends a policy signal to the market and guarantees that California will continue to attract the lion's share of investment in clean technology.

And when the nation is ready to address the growing danger of climate change, as I believe it must and it will, California's climate program will serve as the model for a national program. We believe that if we implement a Cap and Trade Program in California other states, the federal government, and other nations will join with us.

We also believe that there are significant advantages to being the designers of the first comprehensive program. We will be doing our part to address climate change, and we believe that this regulation is an important step in that effort.

I want to acknowledge that there has been an enormous amount of work starting with the staff of the Air Resources Board in developing this regulation. And I'm doing this in part because I want to put this out on the record so that nobody else has to thank the staff for doing a great job. I do think in this case that is an effort that has surpassed in complexity and in requirements for learning new areas and working with diverse communities, anything else that we've ever undertaken.

So to James Goldstene and Bob Fletcher, I want to acknowledge your tremendous leadership. I'm really proud of the effort that you and your team, which includes all the folks sitting at the staff table, a few that I see scattered in the audience, and dozens who are scattered throughout the agency and hopefully at least getting a chance to watch some of this on their computers. It's been a phenomenal effort. You invested the hours over the last three years to understand the range of industries that are covered to immerse yourself in the details of carbon markets, to learn about our electricity system at a level that we never had to before at ARB, as well as to chase down thousands of details that matter to the people who are going to be affected by this regulation.

And I don't want to underestimate who they are, the numbers of them, or the work that's required to reflect on and respond to the over 1100 written comments that we received on this proposed regulation. I believe that you have made yourselves available to the stakeholders, not only in formal workshops but in literally thousands of

one-on-one meetings and phone calls, often starting early in the morning and running into the late hours every night of the week. Not just this past week, but for many, many weeks to come. I've even heard that people have ended up in discussions at weekend soccer matches and swim meets. So truly, this has been an amazing effort.

Obviously, the Air Resources Board did not do this alone. We particularly owe thanks to our sister agencies, the Public Utilities Commission and the California Energy Commission, who have worked with us every step of the way in making sure that what we did here to implement AB 32 worked with their own efforts and their own legal mandates to make sure that we have an adequate supply of affordable energy in the state of California. And we will continue that close working relationship into the future.