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For the Public Record

September 11, 2017

To: California Air Resources Board

Re: Comments on the 2017 Draft Funding Guidelines for Agencies that Administer California Climate Investments

Thank you for considering these comments. Since 2006 my comments have consistently encouraged the California Air Resources Board (ARB) to return most or all of the auction proceeds to the public following the Cap & Dividend model. My previous comments are archived online at www.carbonshare.org. In June of this year, a bill was introduced, SB 775, that would have followed many of the recommendations I and others have been making. Unfortunately, that bill did not pass the Legislature, and instead, a bill passed which continues many aspects of the current system through 2030.¹

On the plus side, California has one of the best carbon pricing programs in the world, and its continuity for another decade provides assurance to the private sector and to other jurisdictions. On the down side, the program will continue to give free allowance subsidies to the fossil fuel industry, and the majority of auction proceeds will continue to flow towards projects with questionable emissions reductions, which diverts money away from my preferred use, climate dividends to households.²

Currently a large portion of Cap & Trade funds go to high-speed rail and transit-oriented development. The Proposed Guidelines list other transportation-related projects. Emission reductions from many of these areas are not expected to materialize for several decades. A better approach would be to return the funds back to people as a **climate dividend**. The California Climate Credit showing up twice a year on electricity bills is a good start. The state could expand that to an off-bill per capita dividend that would be simple, transparent, and be inclusive of disadvantaged communities (AB 1550 Populations) not just coastal cities.

I request ARB staff research and report on the following problem with using permit revenues for projects that reduce emissions. Due to the economics of Cap-and-Trade, the overall level of emissions is determined by the cap, not by the price of the permit. Emission reductions may reduce the price of the permit in the sector where the funds are spent, but this may only serve

¹ <https://climateprotection.org/californias-cap-trade-program-extended-means-supporters-climate-dividends/>

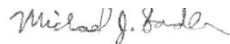
² The Petroleum Refining, Natural Gas Extraction, and Cement sectors received over 49 million free allowances in 2016. At \$12.73 per allowance, that subsidy is worth over \$629 million per year.

to create space under the cap that will be filled by emissions from other sectors³. Therefore, the supposed **climate investments do not reduce overall emissions**. No one seems to acknowledge this. I request ARB include educational information about this issue in all of its communications involving auction proceeds. Otherwise, the Governor, Legislature, and the public is likely being misled into thinking that these projects are actually reducing emissions. If they understood that these projects only shift emissions between sectors, they may be more open to using auction proceeds for climate dividends to households.

Another important argument for dividends is that they support climate justice in disadvantaged communities (AB 1550 Populations). The climate dividend concept can be a bridge to global anti-poverty movements focusing on the concept of "basic income," and international development efforts promoting "unconditional cash transfers." Please include mention of climate dividends as an option in your communications with those Populations (i.e. "Would you prefer this project, or a climate dividend of \$__?"). I would be interested to see how they respond. In my experience, people who work for organizations that develop projects will be happy to receive grant funding from Agencies, but I expect that **low-income households themselves would benefit more from direct dividend distributions via a debit card**. I am also interested to see if there is a brave Agency manager who agrees, and who will refuse to follow the proposed allocation and instead ask ARB to distribute the funds directly to people.

Thank you for your consideration.

Sincerely,



Mike Sandler

³ ² <http://www.lao.ca.gov/reports/2014/budget/cap-and-trade/auction-revenue-expenditure-022414.pdf>