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September 1, 2015

Mr. Matthew Botill  
Manager, Climate Investments Branch, Policy Section  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95812

Re: Cap-and-Trade Auction Proceeds Second Investment Plan Draft Concepts for Public Discussion (July 2015)

Dear Mr. Botill,

Please accept these comments submitted on behalf of the Sierra Business Council (SBC) regarding the draft concept paper for the second triennial Cap-and-Trade Investment Plan. SBC is a non-profit network of more than 4,000 business, local government and community partners working to foster vibrant, livable communities in the Sierra Nevada.

SBC is excited to see the first three years of the cap-and-trade program working to create investments that will meet state and global objectives and improve the lives of Californians for decades to come. As pointed out in the draft concept paper, California has become a worldwide leader in efforts to reduce GHG emissions; but as the concept paper also acknowledges, we need to do more. SBC offers the following comments to help strengthen direction regarding the next three years of cap-and-trade investment.

As a member of ARCCA, the Alliance of Regional Collaboratives for Climate Adaptation, we begin by echoing general comments made by that group, including the need to:

- Prioritize adaptation and resilience in conjunction with mitigation, since many climate impacts are being felt already;
- Adopt an inter-regional approach and framework for adaptation and mitigation, since neighboring regions are likely to share priorities and goals and, in many cases, reliance on natural resources (such as water) that span multiple jurisdictions;
- Prioritize technical assistance and programmatic investments in rural and underserved communities, since such investment is necessary to achieve post-2020 goals; and

- Expedite development of quantification methodologies for assessing and evaluating co-benefits, since achieving tangible social, economic and environmental co-benefits across the state is an important objective of both the underlying climate legislation and the Governor’s Executive Order; this is especially important in terms of making projects in rural resource areas more meaningful and competitive within Cap-and-Trade’s largely urban-focused funding pots.

In addition, we offer the following specific comments and recommendations listed by section:

### Section I. INTRODUCTION

Subsection	Comment	Page
n/a	We agree with and applaud the explicit statement that achieving the state’s goals will require accelerating current strategies and pursuing innovative strategies across all sectors, and that doing so will bring other tangible benefits (aka “co-benefits”) to all Californians, such as jobs, public health benefits, expanded transportation and affordable housing options, more sustainable production of goods and services, and enhanced natural resources.	2

### Section II. BACKGROUND

Subsection	Comment	Page
n/a	We appreciate the concept paper’s explicit reminder that, in addition to reducing GHG emissions, the cap-and-trade investment program is intended to achieve other important statewide goals, per legislative mandate, including among others: <ul style="list-style-type: none"> <li>• Maximizing economic, environmental, and public health benefits;</li> <li>• Promoting in-State projects carried out by California workers and businesses;</li> <li>• Improving air quality;</li> <li>• Providing opportunities for businesses, public agencies, nonprofits, and other community institutions to participate in and benefit from statewide GHG reduction efforts.</li> </ul>	3

### Section III. OVERARCHING THEMES

Subsection	Comment	Page
Beyond 2020	SBC supports the emphasis on investing now in programs and projects that lay the groundwork for future resource management approaches and innovative technologies that will help meet long-term emission reduction targets (post-2020). We believe this is especially important in the forestry sector, where changes in management and treatment	4

	now will, in many cases, not reap emission reduction benefits until after 2020.	
Benefits for All Californians	<p>We appreciate the explicit recognition that disadvantaged communities are both critical to the state’s achieving its goals and also in need of more targeted assistance – via awareness and capacity-building as well as targeted funding – to access the GGRF program opportunities.</p> <p><u>Recommendation:</u> increased technical assistance and capacity-building should not be limited just to the Enviroscreen-defined “disadvantaged communities”; add “rural and other underserved areas” to this subsection to ensure that such assistance is provided in rural resource areas, as well, since they can contribute substantially to GHG emission reductions, carbon sequestration and other benefits, such as reliable production and distribution of goods and services.</p>	4-5
Innovative Technologies	SBC strongly supports the need for GGRF funds to be used both to accelerate the use of existing technologies but also to test and pursue new technologies to determine the degree to which they deliver emission reduction results and co-benefits.	5
Systems Approach	SBC supports the call for the 2 <sup>nd</sup> Investment Plan to invest more in natural systems, including converting organic waste such as forest and agricultural biomass into energy and other products.	5
Integrated Projects...to Support Local Climate Action	<p>SBC supports the concept of creating synergy in specific areas by investing in multiple project types in one community.</p> <p><u>Recommendation:</u> based on the need for and criterion of “improv[ing] areas that have traditionally lacked investment,” add “rural and other underserved areas” to this subsection to put the emphasis on <u>all</u> underserved areas, not just those identified by the Enviroscreen tool; this is especially important in the rural forested communities where projects can contribute to important forest/fire-related GHG emission reductions, carbon sequestration and other benefits.</p> <p><u>Recommendation:</u> for purposes of larger regional synergies, add “regional entities” to “Local governments with jurisdiction...” and “These local governments could be appropriate applicants...,” in order to broaden the synergy to include collaborative planning and projects between communities, not just within individual communities.</p>	5
Efficient Financing	SBC strongly supports the concept of developing financing mechanisms beyond simply grant and rebate programs. We hope that this section	6

	will be fleshed out even further in the draft Investment Plan document.	
Short-Lived Climate Pollutants	We support the emphasis in the 2 <sup>nd</sup> Investment Plan concept paper on addressing climate pollutants other than just carbon, given the impacts of methane, black carbon and others on global warming and the connection between forest waste, methane and rural communities and small businesses.	7
Rural Communities and Small Businesses	<p>We couldn't agree more strongly that rural communities and small businesses have a critical role to play in achieving the state's GHG emission reduction goals both now and beyond 2020. We fully support the idea of developing additional programs or criteria within existing programs that will allow for more investment in rural resource areas to achieve statewide emission reduction, carbon sequestration and social/economic co-benefit goals.</p> <p><u>Recommendation:</u> Given the fact that climate impacts are already being felt in California, add: "adaptation" to the first sentence so that the 2<sup>nd</sup> Investment Plan includes the opportunity to also spend funds on adaptation planning and implementation to address existing and imminent impacts, since they will be felt even if we are successful in reducing overall GHG emissions to 2020 targets.</p> <p><u>Recommendation:</u> Add a statement in this subsection about the need to expedite development of quantification methodologies, both to better quantify actual emission reductions from different technologies and to better evaluate projects' co-benefits.</p>	7

#### Section IV. DRAFT INVESTMENT CONCEPTS

Subsection	Comment	Page
Transportation and Sustainable Communities	SBC recognizes the importance of addressing the transportation sector, since it is responsible for 37% of the state's GHG emissions. And we agree that to effectively address VMT, the cap-and-trade program must link affordable housing with transportation. However, research shows that VMT reduction opportunities exist beyond major urban areas with high population, job, and transit densities. Analysis by the California Housing Partnership Corporation and the Center for Neighborhood Technology, for example, points out that while rural households account for fewer trips, the actual vehicle miles travelled per trip outpaces small cities and major regions across all income levels. So increasing mobility options through integrated transportation, public	8-13

	<p>transit, active transportation, land use, and housing decisions in rural areas can have a substantial impact on VMT.</p> <p><u>Recommendation:</u> add a rural community component to the Sustainable Communities section to ensure that investments achieve VMT reductions and co-benefits in rural communities. More than 4 million people live in rural areas of the state that are not covered by Metropolitan Planning Organizations and, therefore, are not required to develop Sustainable Communities Strategies for transportation and housing. The 2<sup>nd</sup> Investment Plan needs to include a companion program to create better options for more transportation-efficient rural communities across the state, including those not identified by Enviroscreen as DACs.</p> <p><u>Recommendation:</u> to help achieve VMT reduction benefits in rural areas, increase the proportional amount of dedicated funding that goes to protecting existing agricultural lands that are at risk of conversion to higher-carbon uses.</p> <p><u>Recommendation:</u> remove eligibility/scoring barriers in funding programs that disproportionately affect rural projects; consider, for example, a) assigning different (or relative) jobs and housing density standards for different regions of the state, b) adding a rural assumptions element to the CalEEMod update to allow for more accurate modeling in non-urban areas, c) identify alternative program delivery mechanisms besides MPOs and SCSs to ensure that rural areas have access to program assistance and project implementation funds.</p>	
<p>Clean Energy and Energy Efficiency</p>	<p>SBC strongly agrees with the needs assessment statement that “bio-energy systems in California lag and need additional financial support to advance the market” in order to achieve reductions in carbon and additional short-lived climate pollutants (also discussed in the Natural Resources and Waste Diversion section) and other benefits. Similarly, we support the concept of creating more incentives for small businesses to upgrade refrigerant and other systems to reduce short-lived climate pollutants. We have seen such programs work very effectively through the Sierra Nevada Energy Watch program, for example.</p> <p><u>Recommendation:</u> broaden target to “rural and underserved communities,” in addition to Enviroscreen-identified DACs, in order to achieve greater emission reduction, air quality and carbon sequestration benefits, since rural residents are more likely to burn wood as their primary heating source and to have</p>	<p>13-17</p>

	need of greenwaste disposal from yard trimmings, property maintenance, etc.	
Natural Resources and Waste Diversion	<p>SBC strongly supports the need to use the 2<sup>nd</sup> Investment Plan to direct more investment into management, restoration and protection of natural resources – including forests, wetlands, rangelands and agricultural lands – since the benefits from such activities take longer to accrue yet are critical to helping the state achieve its mid- and long-term emission reduction, carbon sequestration and co-benefit goals.</p> <p><u>Recommendation</u>: be more explicit about allowing the use of GGRF funds for research within on-the-ground emission reduction or avoidance projects in order to build a body of real-time data for ever-improving quantification and evaluation of benefits and co-benefits in the future.</p> <p><u>Recommendation</u>: broaden target to “rural and underserved communities” to ensure that the forested communities of the state are eligible for program funding; the current EnviroScreen definition of DAC leaves out virtually all the forested areas of the Sierra, southern Cascade and other interior mountain areas (as shown on Figure A-1, p. 25, Statewide Map of Disadvantaged Communities).</p>	18-23

Climate change affects all Californians, and the underlying climate legislation clearly states that GHG reduction is a statewide program that should reduce emissions and improve conditions across the entire state. To make that intent a reality, we respectfully request that you consider the recommendations above regarding the need for a more comprehensive strategy to assure more geographically equitable distribution of greenhouse gas reductions and accompanying benefits around the state.

SBC appreciates the Board’s recognition, in advance, of many of these issues, as presented in the draft concept paper. We hope we can be part of the continuing discussion about how to make the GGRF program as robust and meaningful as possible to all Californians.

All best,



Kerri Timmer  
Government Affairs Director