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November 13, 2015

Mary Nichols, Chairperson
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Cap-and-Trade Auction Proceeds Second Investment Plan

Dear Chairperson Nichols,

The California Air Pollution Control Officers Association (CAPCOA) is a non-profit association of air pollution control officers from all 35 local air quality agencies throughout California. As partners in the regulation and reduction of greenhouse gases, CAPCOA is providing the following comments on the proposed investments of cap-and-trade auction proceeds for Fiscal Years 2016-2017 through 2018-2019.

Wood Heating Device Change Outs

CAPCOA is in full support of the wood heating device change out program included in the document that would replace inefficient and uncertified heating devices with certified devices. As we stated in our previous letter dated August 31, 2015, this type of program would benefit residents throughout California, including rural and low income communities that rely on wood heating for a large percentage of their heating requirements. Changing an uncertified device to a certified device can provide quantifiable reductions of greenhouse gases (GHGs) and short-lived climate pollutants, as well as PM2.5, achieving important climate protection and public health benefits.

The Sacramento Metro AQMD along with the California Air Resources Board and other local air districts have developed a series of emissions calculations showing emissions reductions associated with replacing older uncertified wood heating devices with either Phase II certified devices or with devices that utilize natural gas, pellets or electricity¹. Based on these calculations, we believe a program designed to replace uncertified wood stoves with new, certified catalytic wood stoves would result in significant GHG emissions reductions, primarily for carbon dioxide, methane, and nitrous oxide. Additional reductions of PM2.5 would also be realized, including reductions of black carbon.

¹ Quinn, 2015, "RWC Changeout GHG & Criteria Emission Reduction Calculation"

Many air districts in California have wood stove change out programs that are administered as funds are available. These programs generally provide funding assistance to home owners that volunteer to upgrade uncertified home heating devices to new certified devices, with incentives that vary based on the types of old and new devices. Most programs also include a component that allocates additional funding for lower income households that are least able to purchase new equipment, yet often tend to rely the most on sources such as wood for their home heating needs. These existing air district programs already have procedures in place that solicit community interest; working with individual households and local dealers to prescreen applicants and follow the course of a project through to completion, including verified destruction of the old device.

Under the wood heating device change out concept, CAPCOA and the local air districts would administer a program consisting of the following:

- Determine appropriate funding levels for individual air districts based on factors such as population; use of wood heating devices and amount of wood used for primary and secondary home heating; socioeconomic considerations; strength of existing wood heating/outdoor burning regulations and outreach programs; and the ability of an air district to manage a change out program.
- Receive funding from the Greenhouse Gas Reduction Fund and apportion it to individual air districts based on the factors described above.
- Analyze opportunities and feasibility to limit incentives to heating devices meeting Washington State or US EPA 2020 New Source Performance Standards.
- Review existing district policies and procedures for change out program implementation and assist districts without existing programs in developing appropriate policies and procedures, including incentive amounts for different categories of change outs.
- Track individual district progress in expending funds, the types of projects funded, the amount of funding provided to low income or environmental justice communities and estimated emission reductions; aggregate data into one report.

CAPCOA/Air District Administration of Other GGRF Funding

CAPCOA and the air districts would like to offer assistance in administering other Greenhouse Gas Reduction Funds (GGRF) funding, including, but not limited to, funding for Low Carbon Transportation (LCT). The Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) and the Clean Vehicle Rebate Project (CVRP) are examples of successful LCT programs that are currently operating effectively under a third-party administrator. Similar success could be achieved by applying this approach to other GGRF funding concepts described in the draft investment concepts, in which the potential recipients listed include local governments and air districts (Figures 12, 14, and 16).

Local air districts for decades have successfully implemented various air quality incentive programs (e.g. the Carl Moyer Program and Proposition 1B Goods Movement Emissions Reduction Program) that could serve as valuable program administration models for GGRF programs to improve streamlining, efficiency and local project implementation. Air districts have: acquired many years of experience administering incentive programs, trained experienced staff, established fiscal and programmatic policies, developed extensive knowledge of local industries and Disadvantaged Communities, developed access to local funding sources, gained familiarity with emissions control technologies, and developed comprehensive local stakeholder networks. CAPCOA and the local air districts are ready to work with ARB and other state agencies

administering GGRF funds to further develop these programs to maximize their effectiveness and meet state and local air quality and climate goals.

In closing, we appreciate the inclusion of a wood heating device change out program in the Draft Second Investment Plan and look forward to working with your Board and staff on this and other vital programs to help California meet its climate and public health goals.

If you have any questions regarding these comments, please contact Alan Abbs, Executive Director, at 916-441-5700.

Sincerely,

A handwritten signature in black ink that reads "Richard A. Stedman". The signature is written in a cursive style with a prominent initial "R".

Richard A. Stedman
President