

September 19, 2016

California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms

To the California Air Resources Board:

On behalf of the California Environmental Justice Alliance (CEJA), we respectfully submit these comments on the Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms.

CEJA is a statewide coalition of community-based organizations working to advance environmental justice in state policy. Our members work across California in low-income communities and communities of color most impacted by pollution, struggling with long-standing air-quality and related public health issues. These same communities will be hit first and hardest by climate change. Ensuring environmental justice is effectively integrated into California's climate policies is critical to the health and well-being of the communities where CEJA members work.

We request that ARB reject the staff's recommendation to continue the cap-and-trade program post-2020. The reasons for our request are outlined in more detail below.

1. Analysis of ARB's data from the 2013-14 compliance period prove that localized increases in GHG emissions are happening, and more often in environmental justice communities. Last week, together with leading researchers, we released a report assessing the inequalities in the location of greenhouse gas-emitting facilities and the amount of greenhouse gases and particulate matter ("PM10") emitted by facilities regulated under Cap and Trade.¹ The report also provides a preliminary evaluation of changes in localized greenhouse gas emissions from large point sources since the advent of the program. The report found:
 - a. On average, neighborhoods with a facility within 2.5 miles have a 22 percent higher proportion of residents of color and 21 percent higher proportion of residents living in poverty than neighborhoods that are not within 2.5 miles of a facility.
 - b. These communities are home to a higher proportion of residents of color and people living in poverty than communities with no or few facilities nearby. Indeed, the higher the number of proximate facilities, the larger the share of low-income residents and communities of color.
 - c. The neighborhoods within 2.5 miles of the 66 largest greenhouse gas and PM10 emitters have a 16% higher proportion of residents of color and 11% higher proportion of residents living in poverty than neighborhoods that are not within 2.5 miles of such a facility.

¹ Lara J. Cushing, *et al.*, A PRELIMINARY ENVIRONMENTAL EQUITY ASSESSMENT OF CALIFORNIA'S CAP AND TRADE PROGRAM.

- d. The first compliance period reporting data (2013-2014) show that the cement, in-state electricity generation, oil & gas production or supplier, and hydrogen plant sectors have increased greenhouse gas emissions over the baseline period (2011-2012).
- e. The amount of emissions “offset” credits exceed the reduction in allowable greenhouse gas emissions (the “cap”) between 2013 and 2014 and were mostly linked to projects outside of California.

The report demonstrates three fundamental points that environmental justice advocates have raised for years:

- a. Cap and Trade disparately affects communities of color compared to communities that do not host a cap and trade facility;
- b. Cap and Trade denies communities the benefits of on-site reductions;
- c. greenhouse gas reductions attributed to Cap and Trade occur primarily outside of California.²

*The report concludes: Preliminary analysis of the equity and emissions impacts of California’s cap-and-trade program indicates that regulated GHG emission facilities tend to be located in neighborhoods with higher proportions of residents of color and those living in poverty. There is a correlation between GHG emissions and particulate matter levels, suggesting a disparate pattern of localized emissions by race/ethnicity and poverty rate. In addition, facilities that emit the highest levels of both GHGs and particulate matter are similarly more likely to be located in communities with higher proportions of residents of color and those living in poverty. This suggests that public health and environmental equity co-benefits could be enhanced if there were more GHG reductions among the larger emitting facilities that are located in disadvantaged communities. Currently, there is little in the design of cap-and-trade to insure this set of localized results. Moreover, while the cap-and-trade program has been in effect for a relatively short time period, preliminary evidence suggests that in-state GHG emissions from regulated companies have increased on average for several industry sectors and that many emissions reductions associated with the program were located outside of California. Large emitters that might be of most public health concern were the most likely to use offset projects to meet their obligations under the cap-and-trade program.*³

The staff report, when talking about adaptive management, said that “ARB is committed to promptly developing and implementing appropriate responses” to any adverse impacts. Based on the recent findings now is the time to adjust strategies to ensure inequitable burdens are alleviated, and the proposed amendments do not achieve this.

2. Assembly Bill 197 expressly directs the State Board to prioritize direct emissions reductions at large stationary sources, and these regulations do not comport with that authority. AB 197 was recently signed into law by Governor Brown. Under it, the Board must prioritize “emissions reduction rules and regulations that result in direct emission reductions at large stationary sources of greenhouse gas emissions.” The staff recommendation to extend the cap and trade regulations rejects direct emissions reductions

³ Lara J. Cushing, *et al.*, A PRELIMINARY ENVIRONMENTAL EQUITY ASSESSMENT OF CALIFORNIA’S CAP AND TRADE PROGRAM at 7-9, attached as Exhibit 3.

in favor of Cap and Trade without any effort to identify or prioritize those regulatory strategies.

- 3. ARB staff must fully consider all scenarios in the 2030 Target Scoping Plan.** The 2030 Target Scoping Plan has four scenarios, only one of which focuses on Cap and Trade. All of these scenarios need to be fully analyzed and considered by ARB.

For these reasons, we respectfully **request that ARB reject the staff's recommendation to continue the cap-and-trade program post-2020.**

Thank you for this opportunity to comment on the Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms. We look forward to working collaboratively with ARB staff to ensure the needs of environmental justice communities are met.

Sincerely,
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