



Anthony Oliver
California Air Resources Board
1001 I Street
Sacramento, CA 95814

April 21, 2020

Dear Mr. Oliver:

Thank you for submitting the standardized regulatory impact assessment (SRIA) and summary (Form DF-131) for the Proposed Amendments to the Prohibitions on Use of Certain Hydrofluorocarbons in Stationary Refrigeration, Chillers, Aerosols, Propellants, and Foam End-Uses Regulation, as required in California Code of Regulations, Title 1, Section 200(a)(1) for major regulations. Proposed text of the regulations was not submitted; hence, comments are based solely on the SRIA and other publicly available information.

The proposed regulations impose requirements on the manufacture, installation, maintenance, and testing of some new and existing equipment to reduce emissions from hydrofluorocarbons, particularly in refrigeration and air conditioning. California Air Resources Board is proposing to implement different timelines for refrigeration equipment for different sized businesses, as defined by the number of facilities operated by the business, with implementation dates staggered from 2022 to 2030. The new restrictions will help the state achieve hydrofluorocarbons reduction goals set forth in the 2008 Climate Change Scoping Plan and other related laws and regulations. The total cost of the proposed regulations is estimated to range from \$2.3 million in 2022 to \$427 million in 2040, averaging around \$215 million annually, and is assumed to be passed on to Californian businesses and households end-users. The benefits of the proposed regulations are computed as avoided emissions valued by the social cost of carbon, and range from \$1.7 million in 2022 at a 5 percent discount rate, to \$784 million in 2040 at a 2.5 percent discount rate. State and local governments are estimated to incur additional expenditures averaging around \$6 million annually from 2022 to 2040, offset by increased sales tax revenues averaging around \$16 million annually for that same period.

Finance generally concurs with the methodology used to estimate impacts of the proposed regulations, with two exceptions. First, the baseline should include a description and breakdown of affected populations by business types and by household income in order to augment the analysis on disparate impacts. The SRIA assumes that costs and benefits are the same for small businesses and typical businesses, however, no justification is provided and it is unclear how many small businesses fall into each regulatory category and compliance timeline. Moreover, the SRIA does not discuss disparate impacts on individuals. An analysis of compliance costs as a proportion of business revenue and household income would help support California Air Resources Board's assessment of no differential impacts on regulated entities.

Second, the SRIA should include a discussion of how impacts will change under different growth and emissions scenarios. We recognize that economic data tends to lag, however, given current circumstances and uncertainties, future impact assessments for this regulation should incorporate the most up-to-date forecast issued by Finance, to the extent possible, as well as sensitivity analyses to model how impacts may vary in case of deviations from the assumed baseline.

These comments are intended to provide sufficient guidance outlining revisions to the SRIA. The SRIA, a summary of Finance's comments, and any responses must be included in the rulemaking file that is available for public comment. Finance understands that the proposed regulations may change during the rulemaking process. If any significant changes to the proposed regulations result in economic impacts not discussed in the SRIA, please note that the revised economic impacts must be reflected on the Standard Form 399 for the rulemaking file submittal to the Office of Administrative Law. Please let us know if you have any questions regarding our comments.

Sincerely,

A handwritten signature in black ink that reads "Somjita Mitra". The signature is written in a cursive, flowing style.

Somjita Mitra
Chief of Economic Research

cc: Mr. Chris Dombrowski, Acting Director, Governor's Office of Business and Economic Development
Mr. Kenneth Pogue, Director, Office of Administrative Law
Mr. Richard Corey, Executive Director, California Air Resources Board