



AB 32 Implementation Group



Working Toward Greenhouse Gas Emission Reductions
And Enhancing California's Competitiveness

May 9, 2008

Mr. Kevin Kennedy, Chief
Program Evaluation Branch
Office of Climate Change
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Subject: Cost Containment for AB 32

Dear Mr. Kennedy,

Thank you for the opportunity to comment on the question of “cost containment” for AB 32 implementation which was a subject at the April 25th workshop and was discussed in your “Framework for Discussion” white paper.

The AB 32 Implementation Group strongly supports implementing AB 32 in a balanced way that achieves actual greenhouse gas emissions at the lowest possible cost.

Experience in the United States has shown that the use of markets, specifically a cap and trade program, is one of the best cost-containment strategies that also delivers real emission reductions. For example, the U.S Environmental Protection Agency's Acid Rain Program utilizes a cap and trade program which has cut sulfur dioxide emissions in half with a savings of \$1 billion a year. According to the U.S. Office of Management and Budget, this cap and trade program has accounted for the largest quantified human health benefits of any federal regulatory program implemented in the last ten years.

In addition, offsets are an important cost-containment strategy. Based on research and experience, offsets provide a means of reliably reducing greenhouse gas emissions. They may be a valuable tool to avoid leakage of emissions to other states and countries and that could avoid the loss of thousands of jobs. Offsets also reduce the cost of complying with AB 32 and would save California's economy billions of dollars. In fact, a recent study by Charles Rivers Associates demonstrated that if California limited the availability of offsets, the state could lose more than 300,000 jobs and decrease the state's GSP by billions of dollars.

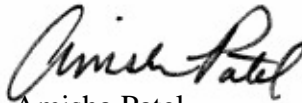
Even in a market system such as cap and trade, it's important to consider cost-containment mechanisms that provide an off-ramp if there is a serious economic or financial problem in the program. These off-ramps have been used successfully in other cap and trade programs. They also can be designed to achieve a net reduction in cumulative GHG emissions. The alternative of not employing such cost-containment mechanisms may actually have worse effects on a program's environmental integrity.

Thank you again for the opportunity to comment on this subject. Please feel free to give us a call should you have any questions or need additional information. Attached are some case studies on cap and trade that you might find interesting.

Sincerely,



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Vice President
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