July 31, 2024

Ms. Liane Randolph
Chair, California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Comments on July 10 2024 CARB workshop regarding updates to California's Cap-and-Trade Program

Dear Chair Randolph,

On behalf of Environmental Defense Fund, The Climate Center, California Environmental Voters, and NextGen California, we appreciate the opportunity to provide comments on the July 10, 2024 workshop on updates to the California Cap-and-Trade program. As we approach the next phase of this process with the release of the proposed regulatory text and Initial Statement of Reasons, it is imperative that CARB use this rulemaking to pursue a path of **ambitious, real, and near-term reductions** and address significant issues with scenarios proposed in the most recent workshop.

As we have written repeatedly throughout this process over the past year, **this decade is a critical time for California, and the world, to slash greenhouse gas emissions**. Prioritizing near-term reductions in this decade maximizes cumulative emissions reductions, which is vital to minimizing atmospheric buildup of planet-warming emissions. In past workshops, CARB has presented some scenarios for adjustments to the cap-and-trade program that seem to recognize the importance of near-term reductions; CARB has also presented many scenarios, including some in the most recent workshop, that fail to meet the urgency of this moment. We urge CARB to reject the scenarios that fail to prioritize reducing cumulative emissions and **move forward with program changes and an implementation schedule that actually allow California to achieve the Scoping Plan 2030 goal.**

Proposed Scenario A, Option 2 (pre-2030) is the only pathway that achieves meaningful cumulative emission reductions.

We appreciate the greater detail provided by CARB in this most recent workshop about the potential avenues through which allowances may be removed from various budgets in the cap-and-trade program, which in principle should translate to emission reductions in line with California's 2030 and 2045 targets. However, while the scenarios presented on July 10th achieve comparable reductions going out to 2045, there are **significant differences** between the

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scenarios in their near-term ambition, with Scenario A, Option 2 presenting the only viable pathway to **achieving necessary reductions pre-2030**.

As CARB has presented numerous times throughout this process, in order to achieve the 2030 emissions target of 48% below 1990 levels as set out in the 2022 Scoping Plan, **CARB must remove 265 million allowances from the 2021-2030 allowance budgets**[1].

CARB cannot waver on this commitment. The urgency of cutting climate pollution cannot be overstated. To avert the worst impacts of climate change, we need significant emissions reductions **this decade.** Early reductions lead to greater cumulative emissions reductions. The total amount of greenhouse gasses emitted over time has a more direct impact on global warming than annual emissions targets alone. CARB must follow through on its promise and enforce the necessary cap adjustments to drive rapid emissions reductions, minimize cumulative emissions, and secure a safer climate future for all. The 2022 Scoping Plan makes it clear that meeting California's net-zero goal by 2045 depends on accelerated near-term emission reductions, and CARB must proceed with a budget reduction scenario that actually meets those near-term targets and removes 265 allowances from the pre-2030 budgets.

In the July 10 workshop, CARB offered a range of budget reduction scenarios - only one of which reduces the necessary 265 million allowances. The "48% Simple Target", presented on slide 25, removes only 100 allowances from the pre-2030 budgets. As CARB acknowledged in the presentation, this is insufficient to account for prior year GHG Emissions Inventory Adjustments of at least 115 million, *and* for the increased ambition required to meet the Scoping Plan targets. CARB's next set of options were based on "Scenario A" as presented in the SRIA; "Option 1", presented on slide 29, removes only 180 million allowances - failing to meet CARB's own targets. Despite CARB's assurance that this option would still remove "70%" of the required allowances, **this would be an insufficiently ambitious scenario and an unacceptable backsliding on CARB's commitment.** "Option 2", which removes the required 265 million allowances, is the only option the CARB should pursue.

Option 2 is necessary for ambition and to compensate for any delay in implementation.

In addition to being the only option that fulfills CARB's responsibility, Option 2 is significantly preferable because its reductions would come from auction and direct allocation budgets. This is absolutely the method of allowance reduction that CARB should follow, and we continue to urge CARB to prioritize these real, tangible reductions over drawdowns from the APCR or price ceiling, which do not guarantee reductions. Furthermore, as CARB points out on slide 32, Option 2 would **achieve the same removals through 2030 as in the SRIA Proposed Scenario A, in one year fewer**. In the July 10 workshop, CARB announced that the first vintage year in which budget adjustments will take effect is now 2026, which is a year delayed from what had been previously communicated. This means that CARB has one fewer year for cap adjustments to take effect before 2030. Given this delay, CARB needs to take advantage of the opportunity that Option 2 provides to get back on schedule, and reassure covered entities and stakeholders that the

[1] July 10 CARB presentation, slide 16

program improvements in which we have all been engaged over the past year are being administered with integrity. The delay in implementation must not translate to reduced ambition.

We strongly urge CARB to adopt Option 2 for the pre-2030 budget allocation. However, **we do not support Option 2's trajectory for post-2030 allocation**. The post-2030 budgets in Option 2 show six years of no reductions, which is counterproductive to the decarbonization efforts of the cap-and-trade program. The six-year constant emissions targets directly conflict with the goal of pursuing greater ambition in this rulemaking. We recommend that CARB implement a straight-line or constant annual percentage (9%) decrease from the 2030 starting point in Option 2 to the 2045 goal. This approach would maximize cumulative reductions, which many consider the most crucial aspect of program ambition. **The proposed six-year period with no decline is unacceptable and should not be included in this rulemaking.** We encourage CARB to amend Option 2 to reflect both the appropriate pre-2030 and post-2030 ambitions.

CARB should consider avenues to improve local air quality through facility-specific caps.

Many commenters in the July 10 workshop raised the question of how CARB can contribute to improving local air quality through the cap-and-trade program. As we have written previously, we strongly encourage CARB to consider mechanisms to address local air quality issues, especially given the disproportionate burden of poor air quality in communities of color and lower-income communities. One significant avenue for CARB to consider is establishing facility-level caps in highly impacted communities, which can ensure that emissions from facilities in these communities - or in specific sectors such as refineries - are reduced at least as fast as the overall emissions cap. Facility-level caps have been recommended by the Environmental Justice Advisory Committee (EJAC) and the Independent Emissions Market Advisory Committee (IEMAC) for many years. Implementing this kind of policy level would be a significant step toward addressing the disproportionate environmental burden experienced by many communities in California.

We thank CARB for their continued work on this important rulemaking process, and look forward to working together to advance this landmark program, ensuring it meets its ambitious goals and serves as a model for climate leadership worldwide.

Sincerely,

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