



center for
resource
solutions

June 27, 2012

Steve Cliff, Branch Chief
Climate Change Program Evaluation Branch
Stationary Source Division
California Air Resources Board
1001 "I" Street, Sacramento, CA, 95812

Rajinder Sahota, Manager
Climate Change Program Operating Section
Stationary Source Division
California Air Resources Board
1001 "I" Street, Sacramento, CA, 95812

Subject: Comments of Environmental Defense Fund, Natural Resources Defense Council, The Nature Conservancy and Center for Resource Solutions Regarding Proposed Amendments to the Cap-and-Trade Regulation to Allow for the Use of Compliance Instruments Issued by Linked Jurisdictions.

Dear Mr. Cliff and Ms. Sahota:

Please accept these comments by Environmental Defense Fund, Natural Resources Defense Council, The Nature Conservancy, and Center for Resource Solutions on the proposed amendments to the cap-and-trade regulation to allow for the use of compliance instruments from linked jurisdictions.

We support the current proposal to amend the cap-and-trade regulation to allow California to accept compliance instruments from linked jurisdictions and specifically to link with Quebec. Showing that two separate governments, in two separate countries, with two separate economies, can effectively partner to put a price on carbon and reduce greenhouse gas emissions is a transformative step for North America; a step that can jumpstart a regional effort to join the growing international movement that is desperately needed to combat the threat of climate change.

In general, expanding California's carbon market will provide both economic and environmental benefits for the state in the form of greater market liquidity and an expanded base of emission reduction opportunities. Based on the analysis provided in the staff report, linkage with Quebec will also help drive capital flows into the state to buttress California's clean energy sectors and capture in-state reductions, offering even greater benefits.

Our primary interest in this rulemaking has been and remains ensuring the environmental integrity of California's cap-and-trade program. Because California and Quebec have been part of the Western Climate Initiative, they have been on parallel tracks towards designing cap-and-

trade programs with substantially similar core programmatic elements such as: the stringency of the cap, the reliability of mandatory reporting requirements, the stringency of offset protocols, limits on borrowing, and the adequacy of penalty and enforcement mechanisms. This provides a critical layer of certainty about the equivalency and environmental integrity of Quebec's program. CARB's efforts through this rulemaking to identify the programmatic elements such as joint auctions, a shared compliance instrument tracking system, and equivalent holding limits that require harmonization will also enhance the integrity of both programs.

We appreciate CARB's ongoing commitment to develop the cap-and-trade program in an open and public process and we urge CARB to continue this practice with stakeholders and other branches of government as linkage with Quebec and other jurisdictions progresses. Specifically, we urge the Board to direct staff to establish a clear process that will provide the public with notice and opportunity to comment on any significant changes that may occur within a linked jurisdiction. The Board, in conjunction with any staff, public or legislative input, should explicitly retain the authority to make regulatory changes affecting linkage if future adjustments are necessary. California must ensure that any changes made within a linked jurisdiction do not threaten the environmental integrity or overall benefits that California seeks to achieve through linkage.

Finally, we appreciate CARB's commitment to transparency by publishing relevant information about regulated entities under the California program such as name, location, historical emissions and economic sector. We recommend that the same information be provided for entities within Quebec in an easy to access location.

We look forward to working with CARB as it moves forward with linking to Quebec and as implementation of the cap-and-trade program continues.

If you have any questions or concerns regarding the comments made in this letter, please contact Erica Morehouse at emorehouse@edf.org; (916) 492-4680.

Sincerely,

Erica Morehouse
Staff Attorney
Environmental Defense Fund

Alex Jackson
Energy Program Attorney
Natural Resources Defense Council

Michelle Passero
Senior Climate Policy Advisor
The Nature Conservancy

Jennifer Martin
Executive Director
Center for Resource Solutions

Cc:
Mary Nichols
Ellen Peter
Virgil Welch
Edie Chang
Holly Stout
Stanley Young
Jason Gray