



May 2, 2012

Mary Nichols, Chairwoman (mnichols@arb.ca.gov)
California Air Resources Board
1001 I Street
Sacramento, California 95812

DOCKET	
12-OIR-1	
DATE	<u>MAY 02 2012</u>
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Dear Mary:

M-S-R Public Power Agency (M-S-R) and the Southern California Public Power Authority (SCPPA) are submitting this letter in the hopes of receiving confirmation from your office regarding the California Air Resources Board's (CARB) belief in the efficacy of the Cap-and-Trade Program. This inquiry was precipitated by comments that CARB staff recently made before the California Energy Commission (CEC).

Both M-S-R and SCPPA have actively supported the state's goal of reducing greenhouse gas emissions through a suite of measures, with the understanding that the recently adopted Cap-and-Trade Program would serve as the corner-stone of the overall emission reduction regime outlined by CARB in the 2008 Scoping Plan. M-S-R and SCPPA have invested significant resources in working with CARB staff in the development of the Cap-and-Trade Program, and in preparing our respective agencies for implementation of the greenhouse gas emissions cap.

In October 2011, the CARB Board approved the regulation for implementation of the Cap-and-Trade Program, which sets a cap on the total amount of emissions that a covered entity can emit. As adopted, the Cap-and-Trade Program is designed to effect emission reductions from the onset of its implementation (regardless of the potential imposition of penalties) and requires covered entities – such as M-S-R and SCPPA members – to surrender allowances annually. The Cap-and-Trade Program was effective January 1, 2012, with CARB actively implementing the reduction requirements commencing on January 1, 2013, and was the product of extensive deliberations on the part of both stakeholders and CARB staff. The regulation establishes a comprehensive structure for long-term emissions reductions in the state, and according to CARB, will result in reductions at the lowest economic cost. Accordingly, M-S-R and SCPPA were quite surprised to hear the efficacy of the Cap-and-Trade Program called into doubt by CARB staff.

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During the April 18 CEC Workshop in proceeding 12-OIR-01 regarding a review of the emissions performance standard (EPS), a CARB staff representative indicated that the CEC should not consider the Cap-and-Trade Program “an enforceable greenhouse gas emissions limit” at this time. Rather, CARB staff stated that since the regulation is not “enforceable” until 2013 and covered entities are not actually surrendering allowances until 2014, the CEC should not make any changes to the EPS until CARB has verified the efficacy of the program, which would occur after the agency has had time to monitor the regulation. M-S-R and SCPPA believe that these statements cast doubt on CARB’s own support and confidence in the Cap-and-Trade Program, and in essence could undermine the viability of the entire notion of an enforceable cap effecting the emission reductions that the program should achieve.

We believe that these statements are not consistent with the very public statements from CARB leadership regarding the critical role of the Cap-and-Trade Program in achieving the state’s greenhouse gas emission reduction objectives. Furthermore, given the amount of resources that CARB and stakeholders across the state have invested in the Cap-and-Trade Program, M-S-R and SCPPA were expecting to receive an affirmation from CARB staff regarding the viability of the Cap-and-Trade Program and lacking such we are now looking to your office for guidance and confirmation of CARB’s continued confidence in the program. We appreciate your time and attention to this important inquiry and would welcome the opportunity to further discuss this matter with you.

Sincerely,



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cc: Robert Weisenmiller, Chair, California Energy Commission
James Goldstene, Executive Officer, California Air Resources Board