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August 4, 2014

The Honorable Henry Perea
State Capitol
P.O. Box 942849
Sacramento, CA 94249-0031

Dear Assemblyman Perea:

On behalf of the Climate Action Reserve, a Los Angeles-based environmental non-profit committed to combatting climate change through market-based mechanisms, I write to express our strong opposition to Assembly Bill (AB) 69. Transportation is the most significant source of climate pollution in California and must be part of the state's reductions if we are to achieve our AB 32 goal of reducing emissions to 1990 levels by 2020.

California has enacted a broad range of programs to fairly and equitably obtain cost-effective emission reductions in every sector of the state's economy to achieve our AB 32 goals while minimizing effects on businesses and consumers. This is true for the current regulations governing transportation fuels and such rules should be implemented without further delay. Unfortunately, this bill seriously undermines the entire AB 32 program by carving out an exception for the biggest contributors of air pollution in the state.

Furthermore, from an equity standpoint, deferring the compliance obligation of transportation fuels is problematic because it shifts more of the burden of reducing emissions to those sectors that are already under the cap. The fuels sector has had nearly a decade from passage of AB 32 to develop a strategy for compliance, has supported the cap-and-trade program in principle, and is only now at the eleventh hour seeking an exemption by using scare tactics and un-factual information. Its purported concern about market volatility is actually exacerbated by removing fuels from the cap as a broader market is less volatile and more resilient. As a result, such a delay would actually subject California consumers to greater volatility in electricity and other markets.

Moreover, exempting oil companies due to concerns about cost impacts on low-income communities ignores the fact that low-income communities are disproportionately affected by air pollution, which puts them at higher risk for illness, including asthma, emphysema, and heart disease. These

are also real costs that low-income Californians will be forced to continue to disproportionately shoulder if AB 69 were to be adopted. Additionally, if fuels are exempted then there will be increased pressure on the electricity and other sectors to achieve these reductions, potentially raising these costs which also disproportionately fall on low-income communities.

Finally, AB 32 is clearly incentivizing and spurring the development of significant new greener sectors in California, including within the Central Valley. For instance, there are several methane digester projects earning carbon offset credits, thereby generating money for farmers. These activities are directly spurred by the incentives provided in AB 32. To significantly undermine those and other efforts by exempting oil companies is bad for the citizens of California for environmental, economic, and policy reasons.

Therefore, along with an overwhelming majority of Californians that supports AB 32, we urge you to withdraw AB 69 and to instead support the inclusion of transportation fuels in the cap-and-trade program beginning in 2015. I thank you for your consideration of these comments and I would welcome the opportunity to discuss this with you at your convenience.

Best,

A handwritten signature in black ink, appearing to read 'Gary Gero', with a stylized, cursive script.

Gary Gero
President
Climate Action Reserve

cc: Honorable Darrell Steinberg, Senate Pro Tem and Senate Rules Committee Chair
Honorable Jean Fuller, Senate Rules Committee Vice-Chair
Honorable Holly Mitchell, Senate Rules Committee
Honorable Steve Knight, Senate Rules Committee
Honorable Ricardo Lara, Senate Rules Committee