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Assembly California Legislature



HENRY T. PEREA
ASSEMBLYMEMBER, THIRTY-FIRST DISTRICT

COMMITTEES
CHAIR: INSURANCE
BANKING AND FINANCE
ELECTIONS AND REDISTRICTING
GOVERNMENTAL ORGANIZATION

June 16, 2014

Mary Nichols, Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Impact of cap-and-trade program on fuel costs

Dear Chair Nichols:

We are concerned about the impact of the AB 32 cap-and-trade program on our constituents. Fuel prices for consumers are going to be driven up once fuel is covered under cap-and-trade at the start of next year, weakening the economy just as California is recovering from the last recession, and hurting the most vulnerable members of our communities who must commute to work and drive long distances for necessary services like medical care. We request that you delay expanding the cap-and-trade program to cover transportation fuels or at least change the program so that it does not unnecessarily increase fuel costs in order to generate revenue for the State.

Beginning January 1, 2015, greenhouse gas (GHG) emissions from transportation fuels are going to be subject to the California Air Resources Board (CARB) cap-and-trade program. This will cause an immediate jump in prices at the pump. There are various estimates for how much the price spike will be, but an increase of about fifteen cents per gallon is likely and a much larger jump is possible. Even a small increase in fuel prices hurts low income Californians. Many of the areas we represent are still struggling with double digit unemployment. Residents of our districts often need to drive long distances and they will be disproportionately impacted.

AB 32 set environmental goals for the State, limiting GHG emissions to 1990 levels by 2020. CARB is responsible for implementing a program that achieves this goal and designed cap-and-trade for that purpose. Currently, CARB gives away some carbon credits to entities covered by the cap-and-trade program and then sells additional credits, generating revenue for the State. Meeting the GHG emissions goal of AB 32 does not require the cap-and-trade system to take money from fuel consumers and give it to the State. CARB is not planning to give any carbon credits to drivers in California, instead selling all the credits which will give the State billions of dollars in revenue that can only be used for GHG reduction. Cap-and-trade achieves the emissions goal by virtue of the "cap" alone – all the carbon credits can be allocated for free, allowing low emitters to benefit by selling their credits to others and not drawing extra dollars out of the economy unnecessarily.

We urge you to reconsider the design of the cap-and-trade program so that California avoids unnecessarily increasing fuel costs and putting the brakes on our economic recovery. AB 32 does not mandate that CARB create a program that generates revenue for the State and it was not intended to be a funding mechanism for massive, new State efforts at GHG reduction. Thank you for your consideration of this issue. Please do not hesitate to contact us if you have any questions.

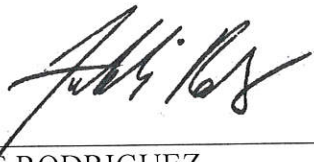
Sincerely,



HENRY T. PEREA
Assemblymember, 31st District



CHERYL R. BROWN
Assemblymember, 47th District



FREDDIE RODRIGUEZ
Assemblymember, 52nd District



ISADORE HALL III
Assemblymember, 64th District



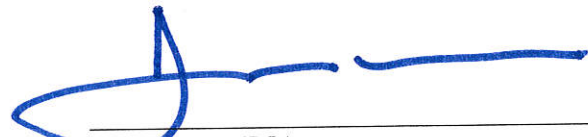
RUDY SALAS, JR.
Assemblymember, 32nd District



TOM DALY
Assemblymember, 69th District



SUSAN A. BONILLA
Assemblymember, 14th District



JOSE MEDINA
Assemblymember, 61st District



ADAM C. GRAY
Assemblymember, 21st District



CHRISTINA GARCIA
Assemblymember, 58th District

Letter to CARB Chair Nichols regarding fuels under cap-and-trade

June 16, 2014

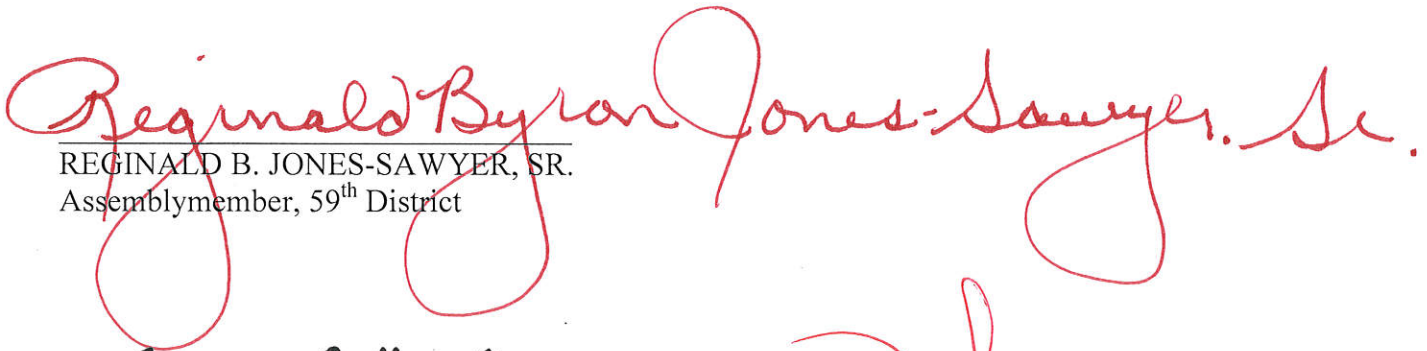
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ROGER HERNANDEZ
Assemblymember, 48th District



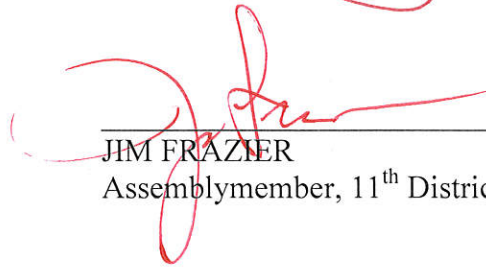
MATTHEW DABABNEH
Assemblymember, 45th District



REGINALD B. JONES-SAWYER, SR.
Assemblymember, 59th District



SEBASTIAN RIDLEY-THOMAS
Assemblymember, 54th District



JIM FRAZIER
Assemblymember, 11th District



JOAN BUCHANAN
Assemblymember, 16th District

cc: Members of California Air Resources Board
Jennifer Gress, Legislative Director, California Air Resources Board