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October 29, 2019

The Honorable Alan Lowenthal
Chair, Energy and Mineral Resources Subcommittee
Natural Resources Committee
U.S House of Representatives
1324 Longworth House Office Building
Washington, DC 20515

Dear Chair Lowenthal:

Thank you for the questions that you submitted following my testimony before the Committee on Natural Resources, Subcommittee on Energy and Minerals on Thursday, October 17, 2019. We continue to appreciate Congressional support in California's efforts to achieve our greenhouse gas (GHG) emission reduction targets. Provided below are responses to the questions that you submitted following the hearing.

California is on the front lines of confronting both climate change and efforts by the Trump Administration to roll back and weaken environmental protection statutes. Attacks on California's Clean Car Standards have garnered the most attention, but can you provide some additional examples of how the Trump Administration is making it tougher for California to work towards its climate goals?

California urgently needs the federal government to be a partner, rather than an adversary. In Southern California, although air quality has dramatically improved, millions of people still breathe unhealthy air. As CARB Chair Mary Nichols recently wrote to U.S. EPA,[1] emissions from sources which the federal government primarily regulates—new locomotives, ships, interstate trucks, and planes—are rising even as state-controlled sources clean up. The figure below shows this unfortunate story. CARB has petitioned U.S. EPA to upgrade locomotive standards and emphasized the need for controls on all these sources – yet has seen no action.

Worse, U.S. EPA is instead dismantling critical protections. In addition to its assault on California's vehicle emissions standards, U.S. EPA has, time and again, forced the state to spend valuable resources challenging illegal weakening of Clean Air rules. Other examples just from the past few months include U.S. EPA's decision to allow major sources of toxic air pollution to exempt themselves from required emissions controls,[2] its repeal of power plant greenhouse gas standards,[3] and its failure to control emissions from landfills.[4] Rather than taking long-delayed action to reduce pollution, U.S. EPA is making the situation worse. Congressional oversight here is critical, because U.S. EPA is failing to be a good partner, as the federal Clean Air Act requires.[5]

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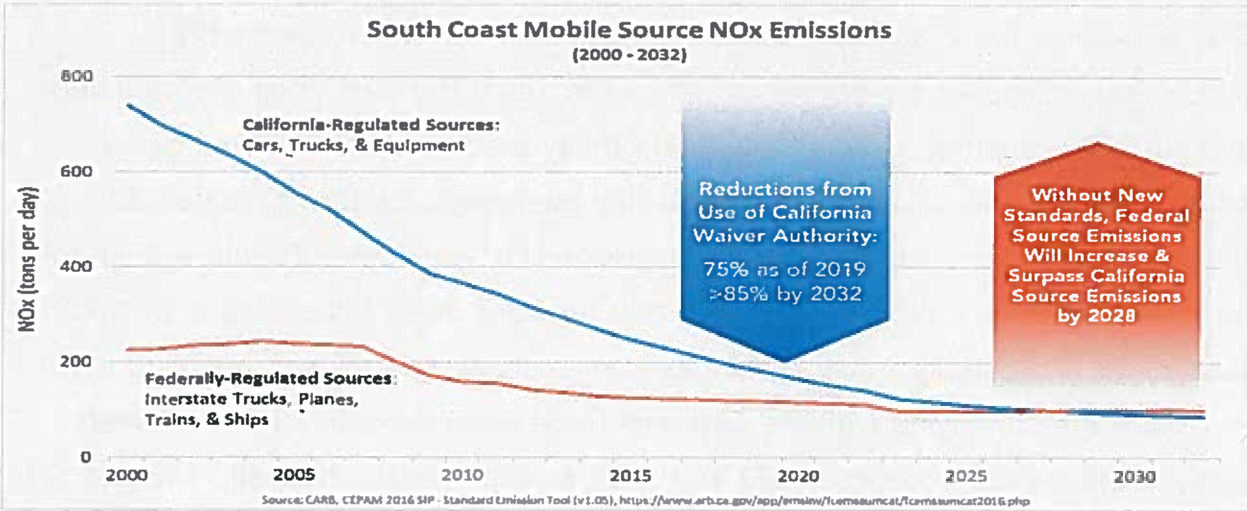
[1] Letter from Chair Mary D. Nichols to Administrator Andrew Wheeler (October 9, 2019), available at: https://ww2.arb.ca.gov/sites/default/files/2019-10/10918_MDN_EPA_SIP%20response.pdf

[2] 84 Fed. Reg. 36,304 (July 26, 2019).

[3] 84 Fed. Reg.32,520 (July 8, 2019).

[4] 84 Fed. Reg. 44,547 (Aug. 26, 2019).

[5] *See* 42 U.S.C. 7401.



How are you working to ensure that the cost of addressing climate change doesn't fall on the backs of working families and vulnerable communities?

In taking action to reduce GHG emissions, California is acutely aware of the need to simultaneously take into account issues of affordability. Recognizing that priority populations—which include disadvantaged communities, low-income communities, and low-income households—may face increasing financial burdens as a result of State actions to reduce GHG emissions, the California Legislature and State agencies, including CARB, have implemented policies and programs that reduce the financial impacts on residents and that specifically benefit disadvantaged and low-income communities. These measures include the California Climate Credit program for utility customers, electric utility investments under CARB's Low Carbon Fuel Standard, and investment minimums for priority populations in California Climate Investments.

<u>California Climate Credit:</u> California's major electric distribution utilities and natural gas suppliers (collectively referred to hereinafter as utilities) are participants in the State's Cap-and-Trade Program. The Program is a key part of the State's suite of measures to reduce GHG emissions. It sets a declining cap on statewide emissions and supports a steadily increasing price signal to prompt needed actions to reduce

GHG emissions. The Program requires the utilities to surrender compliance instruments (including allowances issued by the State) to match their reported and verified GHG emissions associated with electricity production and natural gas delivery. To mitigate additional costs to utility ratepayers, California created the Climate Credit, which is funded by utility proceeds from allowances sold at Cap-and-Trade auctions. The California Climate Credit provides direct bill credits to protect households and eligible small businesses from costs associated with reducing GHG emissions and complying with the Cap-and-Trade Regulation. In 2019, customers received bill credits of between $31 and $159 on their electric bills, and $18 and $25 on their natural gas bills, depending on their utility.[6]

Low Carbon Fuel Standard (LCFS): The LCFS is another key part of California's suite of programs to reduce GHG emissions. The LCFS sets an average carbon content for fuels that declines annually, and incentivizes the generation and adoption of alternative fuels and expands the use of cleaner alternatives for fuel consumption. Electric utilities are allowed to opt into the LCFS program and collect LCFS credits based on charging for zero emission vehicles. In 2019, CARB staff is proposing that a substantial percentage of revenue that these utilities receive from sale of LCFS credits be directed to benefit disadvantaged and low-income communities and to provide increased access to electric transportation to low-income individuals.

California Climate Investments: Proceeds generated by the sale of State-owned allowances sold at auction under California's Cap-and-Trade Program are deposited into the Greenhouse Gas Reductions Fund and are available for the Governor and Legislature to appropriate to State agencies for California Climate Investments. California Climate Investments projects reduce GHG emissions, improve air quality,

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[6] California Public Utilities Commission, California Climate Credit, https://www.cpuc.ca.gov/climatecredit/.

support jobs and create safer, more resilient communities. Equity is central to California Climate Investments. California law requires a minimum of 25 percent of the proceeds from the Cap-and-Trade program are required to be invested in projects located in and benefiting disadvantaged communities, with an additional minimum 10 percent to projects in low-income communities and low-income households.[7] Cumulatively, 57 percent of investments made through 2018 benefitted disadvantaged and low-income communities, vastly exceeding the 35 percent investment minimums established in statute.[8]

Thank you again for your continued support and interest in this important matter. If you have any questions or would like additional information, please feel free to contact David Ernest García, Ph.D., Legislative Director, at (916) 322-2896 or by email at david.garcia@arb.ca.gov.

Sincerely,

Hector De La Torre

Hector De La Torre
Board Member, California Air Resources Board

Cc: The Honorable Mike Levin
Member, Energy and Mineral Resources Subcommittee

The Honorable Paul Gosar
Republican Leader, Energy and Mineral Resources Subcommittee

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[7] California Health and Safety Code §39713, https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=HSC&division=26.&title=&part=2.&chapter=4.1.&article=.

[8] CARB, "California Climate Investments 2019 Annual Report," https://ww3.arb.ca.gov/cc/capandtrade/auctionproceeds/2019_cci_annual_report.pdf.