

TESTIMONY OF ERICA MOREHOUSE, ATTORNEY FOR ENVIRONMENTAL DEFENSE FUND  
BEFORE THE CALIFORNIA STATE ASSEMBLY NATURAL RESOURCES COMMITTEE  
(OVERSIGHT HEARING ON THE AB 32 SCOPING PLAN UPDATE)

MARCH 10, 2014

Good afternoon Chair Chesbro and distinguished committee members, my name is Erica Morehouse and I'm a member of the Climate Program at EDF focusing on California's AB 32 implementation..

Founded in 1967, EDF is a non-profit organization with over 40,000 members in California, and 700,000 nationwide. The organization was an original sponsor of AB 32 in 2006 and has participated in the associated administrative rulemakings at the California Air Resources Board and Public Utilities Commission since adoption.

It is with years of personal commitment to the successful implementation of AB 32, and decades of organizational commitment to environmental issues in California that I testify before you today.

As a co-sponsor of AB 32, EDF has been closely focused on program implementation and the development of the Scoping Plan Update - we are very supportive of the ambitious recommendations it contains so far.

The Scoping Plan Update takes a thorough look at all aspects of the state's economy, asking both what California has done to address climate change already and where critical opportunities still remain. I want to highlight three of EDF's main takeaways from the Scoping Plan Update:

1. First, AB 32 and especially the cornerstone cap-and-trade program are a resounding success and California is cruising towards meeting our ambitious 2020 targets.
2. Second, California needs a post-2020 GHG target to guide the state's strategy as we strive to avoid and adapt to climate change.
3. Third and finally, California is not alone in addressing the global threat of climate change but our international leadership is absolutely critical.

**AB 32 and cap-and-trade are working:**

- Contrary to some "sky is falling" predictions made before cap-and-trade began, capping carbon pollution has occurred amidst a balanced state budget, raising the minimum wage, job growth that has lead the nation, and sustained economic recovery. California's unemployment has fallen from 9.8 to 8.5 percent and the state has added

almost one million new jobs since cap-and-trade passed in 2010<sup>1</sup>. I have to emphasize that California is not just keeping pace with the nation; it is leading it when it comes to job growth and economic recovery<sup>2</sup>. That's not a surprise to those of us who know that green sectors grow jobs ten times faster than traditional sectors and that those jobs have proven more resilient during times of economic downturn.

- Wise auction proceed investments can also have a multiplier effect on these trends and create triple wins for the economy, environment, and our health. Auction proceeds are also an important source of investments for disadvantaged communities as they cut GHG and local air pollution and increase economic opportunities.
- Success in California has led both ARB and independent observers to conclude that California is on track to reduce emissions to 1990 levels by 2020. That's a fact to celebrate. But there are important milestones left before 2020, especially in transportation and energy which contribute the overwhelming majority of climate pollution.
- Transportation alone contributes 38 percent of the state's climate pollution and is emitting significantly more pollution today than in 1990<sup>3</sup>. Transportation is also the primary source of smog-forming and toxic air pollutants that wreak havoc on the health of Californian's, especially in disadvantaged communities. California has an important suite of policies that will effectively reduce transportation pollution by capping overall emissions, increasing vehicle efficiency, reducing the carbon intensity of fuels, and decreasing vehicle miles traveled. California needs to stay strong in its commitment to these policies.
- In the energy sector, California is also on track to meet its 33% renewable goal by 2020. But we need a holistic approach to how we finance, generate, distribute, and utilize energy in a low-carbon world. As our renewable energy continues to expand, California will need to create a more integrated system where customers are able to shift more demand for electricity to times when it is cheap, clean, and abundant. Innovative financing mechanisms and proper alignment of incentives can enable this transformation.
- Californians will see real benefits from staying strong on existing policies. We are already paying hundreds of dollars less for electricity than the average American while creating only a fraction of the emissions. ARB research shows the same will be true for

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<sup>1</sup> Employment Development Department, News Release Number 13-90: California's Unemployment Rate Decreases to 8.5 Percent, December 20, 2013 [http://edd.ca.gov/About\\_EDD/pdf/urate201312.pdf](http://edd.ca.gov/About_EDD/pdf/urate201312.pdf).

<sup>2</sup> Governor's Office of Business and Economic Development, California Economy by the Numbers, October 2013 <http://www.business.ca.gov/Portals/0/WhyCA/Docs/CA%20Economy%20by%20the%20Numbers.%20Oct.%202013.pdf>.

<sup>3</sup> California Air Resources Board, Proposed First Update to the Climate Change Scoping Plan: Building on the Framework, February 10, 2014.

fuel costs and transportation emissions if we just stick with the successful policies laid out in the Scoping Plan Update<sup>4</sup>.

- But California can and should do even more. Which brings me to my second point:

**California will benefit from the guidance a post-2020 GHG reduction target will provide:**

- The Scoping Plan Update and the Governor's Environmental Goals and Policy Report both recommend that a 2030 GHG reduction target will benefit California and ensure we stay on a path to the prosperous, low-carbon economy we need by 2050. EDF fully agrees.
- We can expect real benefits both economic and environmental from doing so. Setting a 2030 target sooner rather than later means strengthening incentives to reduce pollution that will create economic, health, and environmental benefits. It also means incentivizing immediate and significant emissions reductions, enhancing the stability of the carbon market, and increasing opportunities for the breakthrough innovations we need<sup>5</sup>.
- The Scoping Plan Update is not just about one statewide target, although that is important; it's also about not leaving any sector of the economy behind as we transition to a low-carbon future. Short lived climate pollutants are a particularly important piece of the puzzle. Methane, black carbon, F-gases, and many more comprise the portfolio of short-lived climate forcers whose reductions can help mitigate climate change quickly. On the benefits side, reducing leaks of methane and refrigerants saves people money. Reducing black carbon saves people's lives. Short lived climate pollutants are a challenge the world has overlooked for too long and one that can be aggressively addressed with California's leadership.
- Decisions about California's path to deep pollution reductions beyond 2020 are a topic of momentous import that we are looking to all decision-makers, including the Legislature, Governor, and expert agencies for leadership on. But we do appreciate the very appropriate role ARB is playing through the Scoping Plan Update to plan and make recommendations about what is needed.
- This brings me to my final point:

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<sup>4</sup> According to the Scoping Plan Update Californians are already paying about \$300 less for their electricity than the average American and creating only one third the emissions. The same trend will occur in the transportation sector as California implements its suite of policies. ARB estimates that existing policies will result in fuel costs savings per person of over \$400 by 2020 and over \$700 by 2035.

<sup>5</sup> Based on forthcoming EDF economic analysis.

## California is not alone in taking action but its leadership is critical:

- Since AB 32 passed, a refined understanding of climate science and an increase in visible climate change impacts globally has only heightened the stakes and the urgency of tackling climate change. But fortunately California is not alone in meeting this challenge.
- Ten percent of the world's population and a third of its GDP come from areas implementing carbon caps<sup>6</sup>. Like California, Europe is considering a 2030 target and they are proposing a 40 percent reduction beneath 1990 levels.
- The growing number of countries that California has agreed to share climate policy information with demonstrates just how eager others are to learn from our experience and success. We are working with Mexico and Brazil to explore opportunities for reducing deforestation and forest degradation. And as Mexico moves towards a national carbon reduction strategy, we can expect our partnership with them to expand and deepen. The list also includes China, Australia, and most recently Peru and Israel.
- Of course California's partnership with Quebec which began with information sharing through the Western Climate Initiative, has now matured into a full linkage where California and Quebec now accept carbon allowances issued by either government. California and Quebec are internationally recognized as an important model of bilateral action in the face of stalled international negotiations. Both can achieve greater emissions reductions together than either market could achieve alone.
- California's leadership is not just bearing fruit internationally. The Pavley clean car standards – really the first climate law in the nation – have become a nationwide standard and will keep reducing pollution and saving people money through 2025, at least. The U.S. Environmental Protection Agency has proposed carbon pollution standards for new power plants based on California's innovative SB 1368 and will soon propose standards for existing power plants. These are just a few components of President Obama's on-going commitment to reduce U.S. emissions 17 percent below 2005 levels by 2020<sup>7</sup>.
- And finally, California is working through the Pacific Coast Collaborative with Washington, Oregon, and British Columbia. All governments are working towards or already have a price on carbon and are considering other California policy tools like the low carbon fuel standard.

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<sup>6</sup> Environmental Defense Fund and the International Emissions Trading Association, The World's Carbon Markets <http://www.edf.org/climate/worlds-carbon-markets>.

<sup>7</sup> Executive Office of the President, The President's Climate Action Plan, June 2013 <http://www.whitehouse.gov/sites/default/files/image/president27sclimateactionplan.pdf>

- If California continues to innovate and commit resources to bringing others along and remains resolved and ambitious in addressing the looming threat of climate change, the state will be the critical leader that the world needs.

In conclusion, I would like to thank this committee, the Legislature, the Air Resources Board, other state agencies, and the Governor's office for the tremendous leadership provided California as it implements a very successful economy wide climate protection program, becomes an important international leader in the process, and plans for future success. Thank you.