



Western States Petroleum Association
Credible Solutions • Responsive Service • Since 1907

Catherine H. Reheis-Boyd

Executive Vice-President and Chief Operating Officer

September 16, 2009

Dr. Lawrence Goulder, Chair
AB 32 Economic and Allocation Advisory Committee
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Subject: AB 32 Implementation – Economic and Allocation Advisory Committee (EAAC)

Dear Dr. Goulder:

As a follow-up to our August 6, 2009 letter and pursuant to the discussions that occurred at the August 13, 2009 EAAC meeting, the Western State Petroleum Association (WSPA) is submitting the following comment letters on offsets, linkage and leakage that we have sent to CARB and to the Western Climate Initiative (WCI)

We believe the comments in these letters are applicable to your EAAC discussions and recommendations that follow.

WSPA is a non-profit trade association representing twenty-eight companies that explore for, produce, refine, transport and market petroleum, petroleum products, natural gas and other energy supplies in California and five other western states.

In our August 6, 2009 letter we committed to help EAAC fully assess the potential impact of climate change policy options on California's energy supply and economy. We believe the attached comments should help you address a number of key issues and the needed evaluation and recommendation that will follow.

In particular, we believe our comment letter will help you address the following questions:

- 1) What is the overall economic impact on California consumers, particularly small businesses, when taking into account the price forecasts of energy in the second compliance period when transportation fuels are in the program?
- 2) What is the overall economic impact of limiting offsets?
- 3) What are the potential impacts of California moving forward with a greenhouse gas (GHG) control program that has limited practical linkage with other state, regional, federal and international programs?
- 4) What transitional issues/concerns should be considered as CARB implements the Scoping Plan from 2010 to 2020, particularly those issues/concerns related to the design of the emissions

- 5) allocation system (free distribution vs. auctions), offsets and compliance trajectories for GHG reductions?
- 6) What are the key early warning indicators that California should monitor to ensure that any necessary mid-term corrections can be made before our economy is significantly damaged?

The attached comment letters include:

- August 28, 2009 WSPA comment letter to WCI on Draft Statement of Principles on Competitiveness and Review of Proposed Option for Addressing Industrial Competitiveness Impacts with the following attachments:
 - Analysis Group Comments on Leakage – May 28, 2009;
 - Stavins, Borck and Shatzki Paper on Linkage – July 2009;
 - Europaia Presentation on European Refining and the UE ETS – February 2009; and,
 - Europaia Letter on EU Refining: an independent assessment of the EU ETS Carbon Leakage Criteria April 14, 2009.
- June 22, 2009 WSPA Comment letter to CARB on Reviewing and Approving Offset Projects and Protocols in a Cap and Trade Program
- August 20, 2009 WSPA comment letter to CARB on Linkage of CARB's Program to other Local, Regional and National Programs
- August 21, 2009 WSPA comment letter to WCI on WCI Offset Committee White Paper on Offset System Essential Elements – Offset Definition and Eligibility Criteria

As stated above, WSPA is prepared to help as you address the myriad issues related to a well-designed cap-and-trade program – in particular, the issues highlighted in this letter that we feel are critical to successful implementation of AB 32.

Thank you for considering our comments. We look forward to continuing working with you and CARB staff to ensure the success of your efforts. If there are any questions, please contact me.

Sincerely,



Cc: Linda Adams, California Environmental Protection Agency
Cindy Tuck, California Environmental Protection Agency
Dan Pellissier, California Environmental Protection Agency
California Air Resources Board Members
David Crane, Governor's Office
John Moffatt, Governor's Office
James Goldstene, California Air Resources Board
Edie Chang, California Air Resources Board
Lucille Van Ommering, California Air Resources Board
Joe Sparano, President, Western States Petroleum Association