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From: Mike Sandler [mike@mikesandler.org]
Sent: Wednesday, November 04, 2009 12:29 PM
To: Economic & Allocation Advisory Committee
Subject: Comment to EAAC
Attachments: Sinden-RevNeutCandT_SSRN-id1458624[1].pdf

Dear Chair Goulder and EAAC members,

Please accept these comments following the November 4 conference call.

Free allocation to the public

I encourage the EAAC to include in the free allocation section the option of allocating the permits as “shares” directly to the public. The outcome is similar to dividends, but the process requires Californians to “sell” their share to upstream regulated companies. This market activity could supplement the government auction of permits, and provide for continuous price discovery. Californians could be given the option of receiving a dividend, tax credit, or share. This program, called Cap and Share, is described at www.capandshare.org and www.carbonshare.org.

Dividends and Shares can be revenue neutral to govt

It is important to note that dividends and shares can be revenue-neutral to the government. I have attached a paper by Professor Amy Sinden of Temple University School of Law on “Revenue Neutral Cap and Trade,” which describes allowance value being returned to the public without revenues going to the state. This could be useful given potential restrictions on revenue-raising, or in responding to threats by opponents of AB32.

Tell Congress not to pre-empt AB32

CalEPA Secretary Linda Adams commented to Senator Boxer’s EPW committee, “State authority to implement clean energy and climate policy must not be abridged.” The EAAC section on interaction with a federal cap and trade system could include a message to Congress or to Mary Nichols, the Governor, and state legislature to tell Congress to not preempt California’s AB32. California has had special status under Clean Air Act for over 30 years. This status should continue with climate change. The State should be allowed to set a tighter cap than the national cap, and let other states choose to follow California’s more rigorous standards if they wish.

Also, it is important to continue development of California’s allocation system, in case the federal system (such as in Waxman-Markey and Boxer-Kerry) uses free allocation, and we replicate the ETS “learning phase” with windfall profits to utilities, and have to wait until 2020 to move toward 80% or higher level of auctioning. California should be able to set a tighter cap and retire allowances, or set a limit on the number of allowances in state, and define its own allocation of allowance value. Perhaps the EAAC can help relay this message to California’s Congressional delegation, including Rep. Pelosi, Rep. Waxman, and Sen. Boxer.

Dividends may be taxable

Recycling the revenues to the public with a dividend or share will help stimulate the economy and reduce our state’s carbon footprint, and if dividends are taxable, it would generate revenues that may be used by

government, for example, for a public benefits fund, and for some limited compensation, investments, and R&D.

International implications of equal shares and dividends

I encourage the EAAC to reference how the report recommendations apply to a potential international system. The Cap and Share program can be a way to implement Contraction & Convergence, where countries converge toward per capita equity in emissions, based on democratic principles: One person – One share. The EAAC and CARB should embrace this opportunity to make equity a centerpiece of climate policy, and the EAAC could release a statement of principles or portions of the draft report that could influence the pending bill in Congress and the international climate talks in Copenhagen in December.

Thank you for your hard work.

Sincerely,

Mike Sandler
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