



November 5, 2009

VIA EMAIL: eaac@calepa.ca.gov
Economic and Allocation Advisory Committee
California Environmental Protection Agency
1001 "I" St
Sacramento, CA 95812

Subject: Public Health Considerations in California's Climate Change Mitigation Efforts

Dear Chairman Goulder and Members of the EAAC:

Thank you for your service to our state in the Economic and Allocation Advisory Committee (EAAC). The Public Health Institute (PHI) is one of the largest nonprofit organizations in the United States dedicated to promoting health, well being and quality of life for people throughout California and across the nation. For 40 years, our philosophy of public health has acknowledged the complex web of factors that contribute to health problems like asthma and has recognized the integral role that all institutions and sectors play in creating healthy environments. PHI understands the tremendous need for the public health community to effectively articulate the relationship between climate change and health, to communicate the co-benefits of climate change mitigation, and to advocate for Assembly Bill (AB) 32 implementation mechanisms that protect those most vulnerable to associated health impacts.

We believe your contribution to AB 32's implementation process is critical. As you fulfill your responsibilities, we would like to provide the public health perspective on specific elements of the cap-and-trade program related to your important task.

Co-pollutant emissions reduction will benefit the economy and people's health.

AB 32 statute specifically states that, "to the extent feasible and in furtherance of achieving the statewide greenhouse gas emissions limit, the state board (ARB) shall consider overall societal benefits"¹ as part of its work implementing AB 32. However, there are economic benefits to be gained from those considerations as well. According to a recent study, reducing co-pollutants along with carbon emissions will double the total benefits of any carbon-reducing policy if the societal benefits from healthier and longer lifespans are taken into account.² EAAC member Dr. James Boyce asserts that improving air quality can also result in other economic savings such as lower health care costs, improved job productivity, and academic performance as evidence to bolster his support of integrating co-pollutants and co-benefits into ARB's economic analysis.³ We agree and urge you to recommend integrating both co-pollutants and co-benefits into

¹ California Assembly Bill No. 32, "The Global Warming Solutions Act".

² Nicholas Z. Muller, Britt Groosman and Erin O'Neill-Toy, "The ancillary benefits of greenhouse gas abatement in the United States." Forthcoming, 2009. See http://college.usc.edu/geography/ESPE/documents/Muller_USC_6_30_09.pdf.

³ Dr. James K. Boyce, "Memorandum: Investment in Disadvantaged Communities", October 2009. http://www.climatechange.ca.gov/eaac/meetings/2009-10-07/supplemental/2009-10-05_Boyce_memo_on_investment_in_disadvantaged_communities.pdf

any analysis of the cap-and-trade program. We also request that you recommend to ARB that they do this to improve its existing economic analysis of the entire AB 32 Scoping Plan. PHI believes that this integration is the only way to get a full and accurate picture of the economic and health benefits that can be achieved through the regulatory design surrounding AB 32 implementation.

Disadvantaged communities are disproportionately impacted by air pollution.

While all Californians suffer when air quality is low, the communities who are most drastically affected are characterized by their low socioeconomic status. The fossil fuel infrastructure is disproportionately located in low-income communities. Asthma prevalence, hospitalization, and mortality are three times greater among minorities.⁴ Meanwhile, there is limited monitoring of air quality in the communities most impacted, making it difficult to ascertain current pollutant levels and even more difficult to ensure that these levels don't spike as a result of the cap-and-trade program.

Auction Revenues should be invested in disadvantaged communities.

AB 32 provisions necessitate that ARB consider "localized impacts in communities that are already adversely impacted by air pollution" and, if possible, "direct public and private investment toward the most disadvantaged communities in California." PHI supports the creation of a Community Benefits Fund, as laid out in pending legislation AB 1405, as a means of both considering and investing in these communities. We are encouraged that the Allowance Value Provision Subcommittee included investment in disadvantaged communities as one alternative use of auction revenue. We are also heartened by the Subcommittee listing the Community Benefits Fund as one of three policy options for investment in disadvantaged communities, and urge you to advance that consideration by recommending that the optimal auction revenue percentage for such a fund be determined.

PHI believes that funds from a Community Benefits Fund could be used to:

- Mitigate the direct health impacts of climate change;
- Expand the number of cooling centers in low-income communities and create emergency response infrastructure to provide transportation to these centers when heat spikes occur;
- Monitor air quality near top emitters to ensure that air pollution is not increasing;
- Create subsidies to mitigate the economic burden resulting from carbon pricing; and
- Educate Californians on the types of health effects they may experience due to climate change.

The majority of allowances should be auctioned off and free allocation minimized.

One of the primary benefits of creating a market for carbon (previously a negative externality) is the expectation that a well-designed mechanism will set a price for greenhouse (GHG) emissions that accurately reflects the marginal cost of abatement. This price signal determines the decisions made by producers and consumers about the

⁴ Maxine Burkett, "Just Solutions to Climate Change: A Climate Justice Proposal for a Domestic Clean Development Mechanism", *Buffalo Law Review*, November 2007.

types of energy and services that they provide or use.⁵ If emissions allowances are given away, rather than auctioned off, the price signal may be diluted (e.g. electricity prices not increased) and investment in lower-emitting technologies/renewable energy alternatives diminished, resulting in fewer co-benefits from improved air quality as well as decreased opportunity to reduce GHG emissions. Therefore, PHI believes that it is important that free allocation of emissions allowances be minimized in order to achieve the greatest benefit from the cap-and-trade program. Doing so will maximize the revenue available for California to use in its work both mitigating and preparing for climate change as well as helping to offset higher prices for low-income families who are negatively impacted by higher energy prices.

A range of offset percentage limits should be included in economic modeling.

Although no offset limit within the cap-and-trade program has been firmly established, recent attempts by the California Legislature to do so have failed. We continue to assert that offsets should be kept to the absolute minimum, and out-of-jurisdiction offsets be even further diminished. PHI believes that this is necessary to maximize health co-benefits resulting from improved air quality and to verify that GHG emissions are being reduced per AB 32 requirements. Offsets, with their well-known verification and monitoring issues, will not sufficiently accomplish this. Verification of GHG emissions reductions is especially important in the first stage of the program when the cap is only slightly below business as usual emissions and every ton of carbon reduced is crucial. In light of this, we ask that you recommend the modeling of a range of offset percentages, including ones as low as 10 percent, so ARB and the public can get an accurate sense of the effect that offsets will have on allowance values, climate change mitigation, related co-benefits, and California's economy. We also ask that you explore the economic benefits of requiring a percentage of offsets be kept within California and required to have verifiable public health co-benefits in California's disadvantaged communities. This proposed requirement falls within the language of the AB 32 statute and there are significant economic gains possible from incorporating it into the program's design.

Cap-and-trade can be designed with health in mind.

PHI values the expertise that each member of the EAAC brings to the table and appreciates your thoughtfulness and hard work in this process. We believe that, given sufficient time and analysis, California can have a cap-and-trade program with health safeguards in place that can simultaneously improve public health and mitigate climate change. In order to achieve this, we ask that you make the following recommendations to ARB:

- Integrate co-pollutants and co-benefits into the economic analysis of the cap-and-trade program and the broader economic analysis of the AB 32 Scoping Plan.
- Determine the optimal auction revenue percentage for a Community Benefits Fund that can be used to mitigate the direct health impacts of climate change, create subsidies to offset higher electricity prices, and educate Californians on the possible health effects of climate change, among other possibilities.

⁵ California Air Resources Board, "Climate Change Scoping Plan Appendices Volume I: Supporting Documents and Measure Detail", December 2008.

- Minimize free allocation of emissions allowances to achieve maximum economic and health benefits from California's cap-and-trade program.
- Consider a range of offset percentages and the inclusion of offsets kept within California and required to have public health co-benefits during the modeling process.

Thank you for taking the time to consider our comments.

Sincerely,



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