



January 8, 2010

To: EAAC

Dear EAAC members,

On behalf of the Climate Protection Campaign, I offer the following comments on the January 7<sup>th</sup> draft EAAC report.

We support **100% auction** and appreciate the draft report for **not giving free allowances to utilities (LDCs)**. The draft report correctly acknowledges the disadvantages of CPUC/CEC Joint Decision Recommendation of using LDCs as the vehicle to assist consumers through a line item rebate on utility bills (pg. 38, and Recommendation 7), and rightly notes that a superior approach would be returning dividends to consumers, and there is no need to use LDCs as middlemen.

We express strong support for **returning a majority of total allowance value back to consumers**. We urge the EAAC to recommend **a preference for returning 75% of total allowance value to consumers**, mirroring the CLEAR Act, introduced by U.S. Senators Cantwell and Collins, currently under consideration in the U.S. Senate, which proposes returning 75% of allowances to consumers through dividends and using 25% of allowance value for investments. This will ensure political support for the program as a whole, help consumers and the economy, and **fulfill the Governor's request in his welcome letter**. We feel that dividends are a superior method over tax cuts. To skeptics of dividends, if dividends are taxable, revenues would return back to state and local governments and can be used for investments. We contend that dividends are an important use of allowance value that is ethical, equitable, and politically necessary.<sup>1</sup> Thank you for your work on this issue.

Sincerely,

Mike Sandler  
Program Manager

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<sup>1</sup> Bailey, John. Carbon Caps with Universal Dividends: Equitable, Ethical, and Politically Effective Climate Policy, Institute for Local Self Reliance, New Rules Project, March 2008. <http://www.newrules.org/sites/newrules.org/files/images/carboncaps-dividends.pdf>

Reich, Robert. "Why Revenues from Cap-and-Trade Should Be Returned to Us As Dividends," June 4, 2008. <http://robertreich.blogspot.com/2008/06/mccain-obama-and-cap-and-trade-we-need.html>