



Our mission

To inspire, align, and mobilize action in response to the climate crisis. We work with business, government, youth and the broader community to advance practical, science-based solutions for significant greenhouse gas emission reductions.

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March 22, 2010

To: The California Air Resources Board

Re: Agenda Item 10-3-7 EAAC Report – Allocating Allowances

Dear Chair Nichols and Board Members,

We write to express support for certain recommendations in the Economic and Allocation Advisory Committee (EAAC) report on the distribution of allowances and the use of auction revenue.

First, we endorse the EAAC's position on auctioning 100% of permits to upstream companies. Second, we fully support returning the majority of allowance value back to households. Our preferred method of household compensation is electronic cash dividends rather than tax cuts, since dividends are more visible to voters, and provide greater and more immediate benefit to low-income households. Importantly, we believe dividends will raise public support for climate action and defuse attacks on AB32 as the November election approaches.

We urge the Board to include into the Preliminary Draft Rule (PDR) for Cap and Trade the EAAC's recommendations to auction 100% of permits, return 75% of revenues returned to consumers (our preference is through dividends), and use the remaining 25% of revenues for clean energy investments and to address regional disparities.

Our main concern going forward is that unlimited, unregulated offsets could undermine the integrity of the cap. Cap & Dividend, with limited offsets, would create the most robust model for a carbon market based on the polluter pays principle and protection of the public's pocketbook. Thank you for your consideration.

Sincerely,

Mike Sandler
Program Manager