

IETA COMMENTS ON CARB SCENARIO CONCEPTS TECHNICAL WORKSHOP (2022 SCOPING PLAN UPDATE)

The International Emissions Trading Association (IETA) welcomes this opportunity to submit feedback to the California Air Resources Board (CARB) on the 17 August 2021 workshop “2022 Scoping Plan Update - Scenario Concepts Technical Workshop.”

As the leading international business voice on climate markets and finance, IETA's non-profit organization represents over 180 companies, including many facing climate risks and opportunities across California. IETA's market expertise is regularly called upon to inform market-based policies that deliver measurable greenhouse gas reductions and removals, address economic competitiveness concerns and balance economic efficiencies with social equity and co-benefits. Our mission is to support broad and functional carbon markets, guided by the principles of efficient, low-cost, measurable climate outcomes while ensuring environmental integrity.

As stated in our 8 July 2021 letter, **IETA recommends that CARB’s 2022 Scoping Plan explicitly model a cap-and-trade scenario with caps declining to net zero by 2045.** This scenario, further outlined in IETA’s 2020 Paper “[Achieving Carbon Neutrality in California](#)”, would center cap-and-trade as the “workhorse” measure and strategy for achieving most of the abatement required to achieve carbon neutrality in California. If CARB does not consider cap-and-trade to be this cornerstone measure, it relegates the state to choosing from a suite of second-best, less efficient options. This would unnecessarily increase California consumer costs and ultimately lower the probability of measurably achieving carbon neutrality. Continued reliance on alternative direct policies would also forego opportunities that higher allowance prices afford, including more revenue for the State to spend on addressing the climate challenge while protecting its disadvantaged communities. For these reasons, we were **disappointed to see that CARB did not discuss any cap-and-trade scenarios during its recent technical workshop.**

In addition, the “Scenario Design Options” that CARB staff presented for consideration in developing modeling scenarios did not include cap-and-trade or other market-based solutions. Instead, scenarios were limited to sectoral/engineering-based options and other direct regulations. An economy-wide approach like cap-and-trade achieves climate targets at least-cost – because they do not rely on government intervention, the broad market approach directs investment into sectors and technologies that can reduce emissions most affordably. To that end, a cap-and-trade scenario would illustrate the viable, least-cost option for California to achieve its climate targets. **Such an approach should serve as a baseline or reference case, with any deviation from the least-cost option requiring additional justification based on factors unrelated to costs.** Instead, the costs of the current scenarios cannot be compared against the least-cost option, thereby forcing stakeholders to subjectively pick their preferences for sectoral reductions or engineered solutions.



California should not be required to fight for carbon neutrality with one hand tied behind its back. Nor should stakeholders be put in a situation to compare scenarios without complete information on relative costs. **IETA therefore urges CARB to explicitly model an aggressive cap-and-trade scenario in the development of California's 2022 Scoping Plan.**

We look forward to close and frequent engagement with CARB staff and other stakeholders over the coming months. Please direct comments or questions to IETA's West Coast Representative, John Blue (blue@ieta.org).