

January 31, 2025

Independent Market Emissions Advisory Committee  
c/o California Environmental Protection Agency  
1001 I Street  
Sacramento, CA 5814  
By email: [iemac@calepa.ca.gov](mailto:iemac@calepa.ca.gov)

**Re: 2024 IEMAC Annual Report**

Dear IEMAC Members:

Thank you for the opportunity to provide comments on the draft [2024 IEMAC Annual Report](#). Given the quick turnaround time, this response is neither as comprehensive nor as inclusive as I would prefer. My focus then is to articulate several critiques about report recommendations that lose sight of the macro-goals of Assembly Bill 32 and subsequent legislation and/or that misconstrue the goals and objectives of formations within the environmental justice movement.

### **Analysis of Free Allowances**

In two chapters, the IEMAC characterizes the allocation of free allowances as a carefully calculated rate to mitigate leakage, when, in reality, CARB arbitrarily set assistance factors at 100% for all emissions-intensive trade-exposed sectors with no decline over time (as noted at one point in the Environmental Justice Chapter). It is critical that the IEMAC be consistent in the description of free allowance allocations, and consider the impacts of the 2017 change on allowance allocations and overall carbon prices over the last seven years - particularly for the oil and gas industry, which receives 61-72% of free allowance allocations, a *significant* increase over what the industry would have gotten under the pre-2017 regulations.

This analysis would be particularly salient for the Cost Containment Chapter, which largely fails to name the impact that 2017 change had on Greenhouse Gas Reduction Fund (GGRF) revenue, and completely failed to account for that financial windfall to industry when accounting for the impact the “costs” of carbon credits have on consumer costs. Of particular interest would be to factor in corporate profits, which skyrocketed during COVID and in the months after lockdown; if climate programs were the only determining factor in gas prices, for instance, then those prices should have gone down - or risen less quickly - [due to the \\$300 million giveaway of free allowances in 2017](#).

### **Cost Containment Considerations**

The Cost Containment Chapter of this report is particularly timely to conversations in the Legislature, and as such should include a more comprehensive analysis of how the cap-and-trade program does (and does not) impact costs to consumers. In addition to the points raised above about free allowance allocations, it is critical to note that the social cost of carbon is reflective of the cost of *not* reducing carbon emissions - in other words, the costs that are passed through to the government and our communities when we fail to

reduce emissions. From that perspective, it would be appropriate for the IEMAC to analyze the delta between the actual costs and the social costs of carbon to help estimate the cost of inaction on carbon emissions over time. This is particularly relevant as we start to comprehend the impacts (and associated costs) of the massive fires in Los Angeles and other climate catastrophes across California.

It is troubling that the IEMAC appears to be arguing that keeping the cost of carbon significantly below the cost of actual emissions reductions is a positive attribute of the program, when the entire intent of the program - and, indeed, of AB 32 - is to reduce actual carbon emissions. While AB 32 also directed CARB to look at the cost effectiveness of measures, this goal cannot be achieved if we continue to give industries the option to buy their way out of real, direct emission reductions. If the macro price signal that the cap-and-trade program is sending is that it's cheaper to keep polluting, perhaps a step needs to be taken back and a broader analysis on cost containment needs to be conducted.

### **Environmental Justice Concerns**

While I have appreciated dialogue with the members of the IEMAC about environmental justice concerns over the past few years, I am concerned with the tone and content of the Environmental Justice Chapter. The narrative in this draft is harmful, and in many cases misrepresents repeatedly articulated proposals and concerns.

For instance, the IEMAC completely fails to consider in the Environmental Justice Chapter that environmental justice advocates have never asked whether cap-and-trade is better than *nothing*; the question has *always* been if cap-and-trade is better than more direct, command-and-control emissions measures. A core concern is emissions reductions foregone by choosing to take a market-based approach, which favors flexibility and affordability for industry over costs to public health and the environment, and inequitably burdens Black and Indigenous peoples, People of Color, and local income communities frontline and fenceline, often to clusters of facilities. A full analysis of what a direct command-and-control approach would mean for local emissions and/or what reductions have been foregone - particularly in EJ neighborhoods - has not been conducted.

I particularly want to clarify the findings of Burtraw and Roy regarding the potential impact of facility-level caps, whose analysis I have read thoroughly, discussed with the authors directly, as well as facilitated a public presentation and discussion about during an EJAC meeting. (See [Burtraw and Roy \(2023\): How Would Facility-Specific Caps Affect the California Carbon Market?](#)) The draft report states that this retrospective analysis shows that facility-level caps “would have delivered very modest air quality improvements to some DAC communities.” Firstly, the focus of their analysis was in fact not about assessing the impact to air quality; the focus of their analysis was to quantify potential allowance price impacts of implementing facility-level caps. Secondly, to the degree that they did analyze air pollution emissions, the findings must be nuanced: For example, their modeling on emissions was not granular, because they assumed air pollution goes down proportionally with GHGs (when even your draft report rightly notes that the correlation between GHGs and criteria air pollutants is “noisy”). Burtraw and Roy particularly point to the oil and gas sector as an outlier, a sector who is a major player in cap-and-trade and whose emissions have significant impacts on fenceline communities. Therefore, their analysis should not be used to make conclusions about the impact of facility-level caps on air pollution

emissions in diverse EJ communities. Thirdly, to the degree their generalizations on emissions reductions are referenced, I would contrast your draft summary to direct quotes from the research itself, such as: "Because the overall emissions reductions in disadvantaged communities have outpaced those in the state, facility-specific caps would have a limited effect *in aggregate* and on the carbon market as we have seen it so far. However, **in communities where emissions reductions have not kept pace with the state's average rate, facility-specific caps could provide important benefits** (emphasis added)." Rough averages across as vast and diverse a state as California should not be used to make decisions or eliminate options for direct reductions in environmental justice communities, particularly as potential program changes are discussed. Finally, it's important to note that the EJAC has recommended both facility-level caps and no trade zones be explored as potential pathways to community protections and emissions reductions, which are related yet distinct approaches (and in fact they could be used in combination). One of the main barriers to fully exploring the implications of these options has been stonewalling by the California Air Resources Board itself, whose leadership claimed in front the Legislature to be taking these particular recommendations seriously, only to later reveal to the EJAC co-chairs that they have never even asked their lawyers to evaluate whether they have the authority to implement either approach because they do not take the proposals seriously. It remains difficult to detail and evaluate the EJAC's recommendations when false narratives and loosely related analyses are used to discount them and prevent even starting a serious conversation.

Additionally, there is a much more robust discussion in the literature, academia, and within California's EJ movement on overall and specific EJ recommendations than those cited. While there are also other parts of the chapter and report I would like to respond to, due to capacity constraints and the comment deadline, I will simply close with overarching thoughts.

Overall, despite acknowledging that the "EJAC has asked to be included in conversations around these recommendations as full partners so that EJ groups can articulate concerns and priorities as negotiations proceed" - the IEMAC did exactly the opposite by parsing out which EJAC recommendations to consider, then proceeded to make analytical conclusions that are far outside of the IEMAC members' areas of expertise. I'd prefer that the IEMAC omit this chapter in its entirety, or replace it with the detailed EJAC resolution passed in fall 2024, and defer comments or questions about environmental justice concerns to the EJAC - which is also created in statute as part of AB 32, and should have as much of a role in advising the Legislature as the IEMAC.

If you have any questions about these comments, please contact me. Thank you for your time and consideration of our concerns as you complete the final report.

Sincerely:

Catherine Garoupa, PhD  
Executive Director, Central Valley Air Quality Coalition  
EJAC member and co-chair