

March 19, 2008



The Honorable Arnold Schwarzenegger
Governor of California
State Capitol
Sacramento, CA 95814



Dear Governor Schwarzenegger:



We appreciate your leadership on California's historic efforts to reduce the State's overall greenhouse gas emissions and to grow California's clean tech economy. We now are urging you to reaffirm your support for market-based solutions in achieving these goals, for it is not certain that markets will develop as part of AB 32 implementation without your leadership. By educating consumers and regulators about the benefits of markets (cap and trade), you can help ensure that market-based solutions remain a key component of AB 32 and a powerful ally in the State's efforts to reach our greenhouse gas reduction goals.



Last year you said "it is essential that we continue to develop market-based approaches to reduce carbon emissions" and that we "harness the power of the marketplace by giving financial value to carbon allowances and creating a financial incentive for emissions reductions."



As you know, market systems have effectively reduced emissions at least cost to businesses and consumers in the United States and internationally. The Congressional Research Service estimated that reducing greenhouse gas emissions through a cap and trade system would cost \$23 to \$50 per ton compared to \$193 to \$295 per ton if trading were not allowed. The money saved by using markets lowers costs for consumers and encourages more investment in California's economy and job creation.



Despite the consideration by the California Air Resources Board of a cap and trade program in its AB 32 scoping plan, growing pressure to adopt only command and control strategies, rather than a blend of regulatory approaches, may interfere with this market development. We continue to feel that a cap and trade system stands out as an approach that can provide a level of environmental integrity and cost savings that conventional regulations simply cannot match. Thus, it is vital that you continue to speak out about the benefits of market-based solutions in order to preserve public support for your vision of California as a leader on climate change policies.

Sincerely,

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cc: Darren Bouton, Deputy Cabinet Secretary
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Dan Dunmoyer, Cabinet Secretary and Deputy Chief of Staff
Susan Kennedy, Chief of Staff
John Moffatt, Deputy Legislative Secretary

