

California is at a crossroads in our strategy to fight climate change. With the current form of cap and trade due to end in 2020, our state is deciding to what extent carbon pricing will play a role in meeting the 2030 targets enacted in 2016, and if so, what the program will look like. Environmental justice must be at the center of this conversation. Taken together, the policy design laid out in SB 775 and AB 378 create one of the most effective and equitable paths forward on carbon pricing policy that we have seen to date in California, if not the world.

First, it is important to understand the perspective of environmental justice communities. Mey Saechao, a Mien leader of the Asian Pacific Environmental Network, lives on the fenceline of the Chevron Refinery in Richmond, one of our state's largest emitter of greenhouse gases. She often gets migraines and her vision has been impaired by the fire and smoke from a refinery explosion in 2012. She, along with thousands of others, was sent to the hospital after being exposed to toxins, but was not able to get the treatment she needed. Today, Mey lives in constant fear of another dangerous explosion and wants to see Chevron reduce the pollution that harms her health and the environment. Even apart from the catastrophic events like the explosion, everyday the refinery's smokestacks spew poison into the air that keeps Mey from going outside to work in her garden. This pollution impacts the health of neighboring residents; children living in Richmond are hospitalized for asthma at almost twice the rate of children in the rest of the state and more than double the national average.

Mey is not alone. Across California, there is a long standing air quality and related public health crisis in low-income communities and communities of color, driven in no small part by the large stationary sources of greenhouse gases, such as refineries. More than half of the facilities covered under cap and trade, including 15 of 20 refineries in the state, are located in or within one-half mile of an environmental justice community. These facilities don't just emit greenhouse gases; they are strongly correlated with toxic pollutants that have serious health impacts. As a result, people of color experience over 70% more particulate matter emissions within 2.5 miles from major emitters. This trend is only worsening: recent research has shown that under the current cap and trade system, while statewide greenhouse gas emissions have gone down, the emissions from some facilities - which are disproportionately located in EJ communities - have actually increased.

The impacts of climate change will exacerbate these conditions. It hits low-income communities and communities of color first and worst, as we have already seen through the recent drought and floods. And it is these vulnerable communities that have the fewest resources to adapt. Climate policy debates often revolve around complicated concepts and large numbers of per metric tons of carbon, but we must look at the human impacts of these

policy decisions. For people like Mey on the frontlines of climate change, the policies we do or don't pass have very real health and quality of life impacts. To craft truly effective policies, we must put these impacts at the center of climate solutions.

So what does that look like? The California Environmental Justice Alliance has several key outcomes that we want to see from carbon pricing legislation:

- Localized air quality improvements and benefits;
- Elimination of loopholes for polluters that allow them to pollute for free or very cheaply;
- More data and decision making transparency;
- A stronger price signal on greenhouse gases to incentivize more action at companies and thus more effectively curb emissions;
- Investments and dividends to protect our most vulnerable residents from rising costs associated with higher prices, help mitigate and adapt to climate change, and help achieve a Just Transition off the fossil fuel economy in California.

It is important to note that there are many foundational programs in California that are already delivering our biggest emission reductions. These regulatory programs are and must continue to be the backbone of California's climate policy. If there is a limited role for carbon pricing, the environmental justice community has long preferred a direct cap and fee. But SB 775 by Senator Bob Wieckowski and Senate pro Tem Kevin de Leon, combined with AB 378 by Assemblymembers Cristina Garcia, Chris Holden, and Eduardo Garcia, are the two proposals that we have seen in the legislature that come the closest to delivering our desired environmental justice outcomes. Both bills need to be cleaned up a bit, but combined they will propel our state towards a Just Transition off fossil fuels, while addressing impacts in our most vulnerable communities and helping to generate an equitable economy that can provide resources to address the impacts of climate change.

SB 775 is an exciting evolution of California's climate policy and demonstrates that we can build off the past while evolving towards the most effective policies possible with new information at hand.

SB 775 would create a new "price collar" in the cap and trade system, setting a higher price floor and a narrow band in which prices could fluctuate. Under the current cap and trade system, the price of carbon – right at the floor around \$13.75 per ton – is too low incentivize businesses to change the way they operate; in fact it is California's other foundational policies that have led to new technology developments and major emission reductions. If we want to achieve our 2030 targets and actually stop climate change, we need a strong price

signal. The price collar outlined in SB 775 is a clearer, realistic price trajectory that accounts for the true cost of carbon pollution. The transparency in pricing also creates market certainty, which allows businesses to plan accordingly.

SB 775 also eliminates free allowances and offsets. Under the current program, the state gives many companies a certain amount of emissions for free, rather than making them pay. This depresses the market, stifles innovation, and creates a loophole for companies to avoid just changing their operations to emit less, which is better for the planet and neighboring communities. Offsets are in essence a cheap compliance option for some of the largest companies in California to avoid direct emission reductions: just 4 companies, including Chevron, account for 44 percent of all offsets used in California, and 75 percent of all offset projects are out of state. Offsets are not helping smaller businesses that need support in transitioning to cleaner practices. They bring no direct climate or clean air benefits to our state and no revenue.

One of the most exciting aspects of the bill from an environmental justice perspective is the creation of a new dividend that would be sent directly back to Californians as a way to address rising costs that will most certainly come as a result of higher carbon prices. Low-income households have an average energy burden that is approximately three times higher than high-income households, pay an average of 25-40% of their income on utility bills alone, and generally have less flexibility to adapt to rising costs. A dividend is a way to directly redistribute the revenues generated from the price polluters pay for their carbon emissions. Our ideal dividend must be accessible to all Californians and focus on low-income households. But without a doubt, if California is serious about creating climate policy that is equitable, we simply must find a way to ease the cost burden for our most vulnerable residents.

AB 378 tackles a different side of the environmental justice issues at stake in climate policy. It takes important steps to link local air quality issues with our strategies to address climate change. When we passed AB 32 over a decade ago, the environmental justice community and even the legislature expressed concerns about exacerbating air quality hot spots through trading. Now, unfortunately, preliminary research is showing that our concerns were well founded. AB 378 ensures that we don't let the opportunity to address these pervasive issues slip by yet again. It authorizes the Air Resources Board (the state's clean air police) to adopt specific measures that would limit or prohibit trading of carbon allowances in environmental justice communities. It would also require new emission standards for criteria and toxic air pollutants at facilities covered under cap and trade, and sets a cap on greenhouse gas emissions per facility.

SB 775 and AB 378 are complementary measures that the Governor and legislative leadership should work to bring together. There are aspects to both bills that we want to see improved: strengthening the provisions in AB 378 to deliver the air quality improvements we need; ensuring that SB 775 dividend reaches families most in need and that we maintain some investments in disadvantaged communities our state has already made. But as our state moves towards decarbonizing the economy and transitioning off fossil fuels, the approach outlined in these bills will surely be more effective and equitable than the current system.

California cannot maintain its climate leadership if we don't address the environmental and climate needs of our most vulnerable residents. By prioritizing equity in our climate policy, we can achieve win-win benefits of fighting climate change, improving local air quality and public health, and delivering economic benefits to all Californians. In doing so, California can set the national and international bar for effective and equitable climate policy.

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This is part of a series, with links compiled at [The Future of California's Greenhouse Gas Cap and Trade Program After 2020](#).