CalETC
California Electric Transportation Coalition

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New Report: Cap-and-Trade Cuts GHG Emissions More Economically with a Strong LCFS

Data shows combination of policy tools offers best chance of affordably reaching California's climate and energy goals

Sacramento, Calif. – A combination of the Low Carbon Fuel Standard (LCFS) and California's Cap-and-Trade Program can reduce the state's greenhouse gas emissions and reduce dependence on oil more economically and effectively, relative to Cap-and-Trade alone. That's the conclusion from new research performed by the consulting firm ICF and commissioned by a group of business organizations, non-profits and alternative fuel trade associations.

Links to full report and fact sheet.

"The LCFS and the Cap-and-Trade Program strengthen each other," said Eileen Wenger Tutt, executive director of CalETC. "Cap-and-Trade is growing the clean economy and LCFS is key to ensuring California spurs innovation in the clean fuels market giving consumers diverse fuel choices, while also reducing the compliance cost of the Cap-and-Trade Program."

ICF's new research shows that strengthening the LCFS from its current 10 percent carbon reduction goal to a 20 percent reduction goal by 2030 would cut Cap-and-Trade allowance prices in the 2030 timeframe by 50 percent. Because the LCFS directly reduces greenhouse gas emissions from the transportation sector, it lessens pressure on the overall emissions cap, and ensures other sectors participating in the program are not obligated to reduce more than their fair share of emissions. This helps lower Cap-and-Trade Program allowance prices, which in turn lowers the cost burden economy-wide.

The transportation sector is directly responsible for 37 percent of California's greenhouse gas emissions and it represents 50 percent if refinery emissions are included. For most transportation needs, oil has a virtual monopoly on the state's fuel market.

"The economy has been and continues to be overly dependent on oil," said Thomas Lawson, president of the California Natural Gas Vehicle Coalition. "Because petroleum-based fuels dominate California's transportation fuel market, consumers have little choice other than diesel- and gasoline-powered cars and trucks. They have to pay whatever price pops up at the pump. With a strong LCFS and Cap-and-Trade, we can displace millions of gallons of oil with clean fuels and give consumers real choices."

ICF projections show that over time, strong LCFS standards would significantly reduce dependence on oil. A 15 to 20 percent reduction in the carbon intensity of fuel by 2030 would reduce oil consumption by 18 to 26 percent – without raising Cap-and-Trade compliance costs. In addition, it would broaden the mix of available transportation fuels, replacing 11 to 17 percent of gasoline use, along with displacing 28 to 48 percent of the state's diesel demand.

"Oil's monopoly on the fuels market is not good for competition, and not good for consumers," said Mary Solecki, Western States Advocate for the nonpartisan business group E2. "Our economy needs more fuel diversity and consumers need more options. With both an LCFS and Cap-and-Trade we can spur innovation, competition and jobs, untether ourselves from fossil fuels and reduce greenhouse gas emissions and other pollutants."

The report finds that Cap-and-Trade and LCFS policies are complementary to one another, helping the state to meet its greenhouse gas and petroleum reduction goals economically. And the more ambitious the LCFS targets are after 2020, the greater the economic, emissions and petroleum reduction benefits under the Cap-and-Trade Program will be.

"California is building a low-carbon economic ecosystem," said Carol Lee Rawn, transportation program director for the nonprofit sustainability organization Ceres. "All of these policy tools work together to move us forward – reducing costs and emissions while spurring investment and innovation."

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*The **California Electric Transportation Coalition** (CalETC) is a non-profit association, promoting economic growth, clean air, fuel diversity and energy independence, and combating climate change through the use of electric transportation. CalETC is committed to large-scale deployment of all forms of electric transportation including plug-in electric vehicles, transit buses, port electrification, off-road electric vehicles and equipment, and rail.*

*The **California Natural Gas Vehicle Coalition** is an association of natural gas vehicle and engine manufacturers, utilities, fuel providers and fleet operators serving the state. The Coalition supports new initiatives, provides up-to-date information on NGV technology and market developments, and works with legislators and regulators to develop policies that increase alternative fuel and vehicle use.*

***Environmental Entrepreneurs** (E2) is a national, nonpartisan group of business leaders, investors, and professionals from every sector of the economy who advocate for smart policies that are good for the economy and good for the environment. Our members have* *founded or funded more than 2,500 companies, created more than 600,000 jobs, and manage more than $100 billion in venture and private equity capital. For more information, see www.e2.org or follow us on Twitter at @e2org.*

Ceres *is a non-profit organization that is mobilizing many of the world's largest companies and investors to take stronger action on climate change, water scarcity and other global sustainability challenges. Ceres directs the Investor Network on Climate Risk, a group of 120 institutional investors managing about $15 trillion assets focused on the business risks and opportunities of climate change and water scarcity. Ceres also engages with 100-plus companies, many of them Fortune 500 businesses, committed to sustainable business practices and the urgency for strong climate and clean energy policies. For more information, visit www.ceres.org or follow on Twitter @CeresNews.*