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CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

ASSEMBLY BILL

No. 32

Introduced by Assembly Members Nunez and Pavley
(Principal coauthor: Assembly Member Nation)
(Coauthors: Assembly Members Bass, Berg, Chan, Chu, Cohn,
Dymally, Evans, Frommer, Goldberg, Hancock, Jones,
Karnette, Klehs, Koretz, Laird, Leno, Levine, Lieber, Lieu,
Montanez, Mullin, Nava, Oropeza, Ridley-Thomas, Ruskin,
Saldana, Wolk, and Yee)

(Coauthors: Senators Bowen, *Chesbro*, Escutia, Kehoe, Kuehl, Lowenthal, Romero, Simitian, and Speier Speier, and Vincent)

December 6, 2004

An act to amend Section 39003 of, and to add Chapter 7 (commencing with Section 42875) to Part 4 of Division 26 of, the Health and Safety Code, and to amend Section 25730 of the Public Resources Code, relating to air pollution.

LEGISLATIVE COUNSEL'S DIGEST

AB 32, as amended, Nunez. Air pollution: greenhouse gases: California Global Warming Solutions Act of 2006.

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(1) Under existing law, the State Air Resources Board, the State Energy Resources Conservation and Development Commission (Energy Commission), and the California Climate Action Registry all have responsibilities with respect to the control of emissions of greenhouse gases, as defined, and the Secretary for Environmental Protection is required to coordinate emission reductions of greenhouse gases and climate change activity in state government.

This bill would provide that the state board is the state agency charged with monitoring and regulating the sources and reducing emissions of gases that cause global warming. The bill would enact the California Global Warming Solutions Act of 2006, to require the state board to adopt regulations on or before January 1, 2008, establishing a program to require the reporting and verification of statewide greenhouse gas emissions, as defined. The bill would require the state board to develop an emissions baseline and monitor and enforce compliance, as specified. The bill would provide that the state board is the state agency charged with monitoring and regulating the sources and reducing emissions of gases that cause global warming. The bill would require the state board to adopt, on or before January 1, 2008, a statewide greenhouse gas emissions limit equivalent to the statewide greenhouse gas emissions levels in 1990 to become effective in 2020, as specified. The bill would also require the state board to establish a series of enforceable interim emissions limits that progressively reduce emissions levels to contribute to meeting the 2020 limit, as specified. The bill would require the state board to adopt greenhouse gas emissions reduction strategies, as defined. The

The bill would require the Governor to establish an interagency task force to coordinate investments of state moneys and state programs that reduce emissions of greenhouse gases, promote economic growth, make information publicly available to assist sources of greenhouse gases to meet the requirements of the bill, ensure that existing state programs support the emissions limits established by the state board, monitor conditions and coordinate planning and the state's response to changing climate conditions as they impact state water supplies, air quality, environmental and public health conditions, and the state's economy, and create and maintain an Internet Web site, as specified.

Because the bill would require the state board to establish emissions limits and other requirements, the violation of which would be a crime, this bill would create a state-mandated local program.

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(2) Under existing law the Energy Commission, in consultation with certain state agencies, departments, and boards with jurisdiction over matters affecting climate change, is required, by January 1, 2002, to update the inventory of greenhouse gas emissions from all sources located in the state, as identified in a specified report, to update its inventory every 5 years, and to report on the updated inventory to the Governor and the Legislature. Existing law requires the Energy Commission to conduct at least one public workshop prior to finalizing each updated inventory and to post its report and inventory on the Internet. Existing law additionally requires the Energy Commission to convene an interagency task force consisting of state agencies with jurisdiction over matters affecting climate change to ensure policy coordination for those activities, and to establish a climate change advisory committee, as provided, to make recommendations to the Energy Commission on the most equitable and efficient ways to implement international and national climate change requirements, as provided.

This bill would delete the above-described requirements and instead require that the Energy Commission update its inventory of emissions of greenhouse gases to supplement the information collected by the state board and enable the state board to maintain a reasonably comprehensive inventory of the state's emissions of greenhouse gases.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

- SECTION 1. Section 39003 of the Health and Safety Code is amended to read:
- 3 39003. The State Air Resources Board is the state agency
- 4 charged with coordinating efforts to attain and maintain ambient
- 5 air quality standards, to conduct research into the causes of and
- 6 solution to air pollution, to monitor and regulate the sources and
- 7 reduce emissions of gases that cause global warming, and to

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systematically attack the serious problem caused by motor vehicles, which is the major source of air pollution in many areas of the state.

SEC. 2. Chapter 7 (commencing with Section 42875) is added to Part 4 of Division 26 of the Health and Safety Code, to read:

Chapter 7. California Global Warming Solutions Act of 2006

- 42875. This chapter shall be known, and may be cited, as the California Global Warming Solutions Act of 2006.
- 42875.5. The Legislature finds and declares all of the following:
- (a) Global warming poses a serious threat to California's economic well-being, public health, and environment. The potential adverse consequences include the degradation of air quality, the loss of mountain snowpack leading to serious water supply problems and risk of catastrophic flooding, rising sea levels displacing thousands of coastal businesses and residences, and severe damage to California's marine ecosystems and the natural environment.
- (b) Global warming will directly affect some of California's largest industries, including agriculture, wine, tourism, skiing, recreational and commercial fishing, and forestry.
- (c) Global warming will increase the strain on electricity supplies necessary to meet demand for summer air conditioning in the hottest parts of the state.
- (d) California has a strong record of leadership on environmental issues, including enacting some of the nation's first air quality protections, energy efficiency requirements, renewable energy standards, and landmark greenhouse gas emission standards for passenger vehicles.
- (e) California's leadership and actions to reduce global warming will have a significant impact by encouraging other states, the federal government, and other countries to act, all of which will be necessary to fully address this issue. In addition, by exercising early leadership, California will position its economy, technology centers, and businesses to benefit from national and

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1 international efforts to reduce greenhouse gas emissions now and 2 in the future.

- 42876. For the purposes of this chapter, the following terms have the following meanings:
- (a) "Allowance" means an authorization to emit, during a specified year, up to one ton of carbon dioxide equivalence.
- (b) "Carbon dioxide equivalence" means the amount of carbon dioxide by weight that would produce the same global warming impact as a given weight of another greenhouse gas, based on the most recent information available from the Intergovernmental Panel on Climate Change.
- (c) "Cost-effectiveness" means the cost per unit of reduced emissions of greenhouse gases from a particular source or category of sources resulting from an emissions reduction strategy compared to the cost of reduced emissions resulting from other emissions reduction strategies for the same source or categories of sources.
- (d) "Displacement" means a reduction in greenhouse gas emissions within the state that is offset by an increase in greenhouse gas emissions outside the state.
- (e) "Electricity provider" means an entity that provides electricity to retail end-use customers, including an electrical corporation, as defined in Section 218 of the Public Utilities Code, local publicly owned electric utility, as defined in Section 9604 of the Public Utilities Code, electric service provider, as defined in Section 218.3 of the Public Utilities Code, private energy producer, as defined in Section 2802 of the Public Utilities Code, a facility that uses cogeneration, as defined in Section 218.5 of the Public Utilities Code, for the generation of electricity, and a community aggregator operating pursuant to Section 366.2 of the Public Utilities Code. "Electricity provider" does not include the California Energy Resources Scheduling division within the Department of Water Resources, when acting pursuant to Division 27 (commencing with Section 80000) of the Water Code.

(f)-

(e) "Emissions reduction strategies" means programs, measures, standards, and flexible compliance mechanisms pursuant to this chapter applicable to sources or categories of sources.

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1 (g)

 (f) "Flexible compliance mechanisms" means mechanisms including, but not limited to, including banking, borrowing, and market mechanisms, that provide compliance flexibility to entities that are required to ensure that their greenhouse gas emissions do not exceed their emissions allowances.

(h)-

(g) "Greenhouse gases" or "greenhouse gas" means "greenhouse gases" as defined in Section 42801.1, or a substance, contaminant, or particle determined by the state board to cause or contribute to climate change pursuant to Section 42880.

(i)

(h) "Interim emissions limit" means a maximum annual allowable level of greenhouse gas emissions established by the state board for sources or categories of sources.

(j)

(i) "Significant sources" means sources or categories of sources whose emissions are at a level that the state board determines that their participation in the program established pursuant to Section 42877 will further the objective of enabling the state board to effectively monitor compliance with the statewide emissions limit.

(k)

(j) "Statewide emissions" means the total annual emissions of greenhouse gases from all sources in the state, including all emissions of greenhouse gases from the generation of electricity delivered by electricity providers and consumed in California, accounting for transmission and distribution line losses, whether the electricity is generated in-state or imported. Statewide emissions shall be expressed in tons of carbon dioxide equivalence.

(l)-

- (k) "Statewide emissions limit" means a maximum annual allowable level of statewide emissions.
- 42876.5. All state agencies shall consider and implement strategies to reduce greenhouse gas emissions. It is the intent of the Legislature that the state board cooperate with other state agencies to achieve the statewide emissions limits created pursuant to Section 42878 and account for projected reductions

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in greenhouse gas emissions from state agency programs not subject to this chapter.

42877. (a) On or before January 1, 2008, the state board shall adopt regulations establishing a program to require the reporting and verification of statewide greenhouse gas emissions. The state board shall develop an emissions baseline and to monitor and enforce compliance.

(1)

(b) The regulations shall require the monitoring and annual reporting of greenhouse gas emissions from significant sources identified by the state board, beginning with the sources or categories of sources that contribute the most to statewide emissions. The reporting program shall also account for all electricity consumed in the state, including transmission and distribution line losses from electricity generated within the state or imported from outside the state.

(2)

(c) The state board may add other significant sources to the program no later than January 1, 2010.

(b)

- (d) The regulations shall, where appropriate and feasible, incorporate the standards and protocols developed by the California Climate Action Registry, established pursuant to Chapter 6 (commencing with Section 42800). Entities that voluntarily participated in the California Climate Action Registry prior to December 31, 2006, and have a fully developed reporting program, shall not be required to significantly alter their reporting or verification program except as necessary to ensure that reporting is complete and verifiable for the purposes of state regulation and tracking of greenhouse gas emissions.
- 42877.5. If the federal government enacts a law limiting greenhouse gas emissions that the state board determines is of equivalent or greater effectiveness in achieving the statewide emissions limits and timeframes established pursuant to this chapter, the state board may modify or elect not to adopt emissions reduction strategies pursuant to this chapter for any greenhouse gas or source included in the federal policy law.
- 42878. (a) (1) It is the intent of the Legislature that the state board design emissions reduction strategies to meet the statewide emissions limits established pursuant to this section in a manner

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that minimizes costs and maximizes benefits for California's economy, improves and modernizes California's energy infrastructure, maximizes additional environmental and economic co-benefits for California, and complements state efforts to improve air quality.

- (2) (A) The state board shall consult broadly with stakeholders in developing regulations to meet the purposes of this chapter and to meet the statewide emissions limits in a beneficial and cost-effective manner.
- (B) By March 1, 2007, the state board shall convene a stakeholder process to inform the development of regulations and programs to reduce greenhouse gases in California. The state board shall solicit information and input from regulated entities on the most efficient, low-cost, and beneficial ways they can reduce their greenhouse gas emissions, identify regulatory and legal barriers to implementing emissions reduction strategies, evaluate state investment strategies in research and development and applied technologies, and work with regulated entities to develop draft plans that may be used in conjunction with regulatory process to reduce greenhouse gas emissions. The purpose of these plans shall be to reduce regulatory costs and obligations, where feasible, in achieving greenhouse gas reductions called for in this chapter.
- (3) It is the intent of the Legislature that the state board coordinate and consult with other state agencies that regulate significant emitters of greenhouse gases. It is the further intent of the Legislature that the Public Utilities Commission and the state board cooperate in the development of emissions reduction strategies, including limits on greenhouse gas emissions applied to electricity and natural gas providers regulated by the Public Utilities Commission in order to ensure that electricity and natural gas providers are not required to meet duplicative or inconsistent requirements, and to ensure that all electricity providers meet consistent requirements consistent requirements are met.
- (b) On or before January 1, 2008, the state board shall determine what the statewide greenhouse gas emissions levels were in 1990, and adopt a statewide emissions limit that is equivalent to that level to become effective in 2020. The state board shall evaluate the best available scientific and economic

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information on greenhouse gas emissions to determine the 1990 level. The state board shall not require individual entities to provide information on their 1990 emissions levels.

- (c) The state board shall establish an advisory committee consisting of three representatives from communities in the state with the most significant exposure to air contaminants or localized air contaminants, or both, including, but not limited to, communities with minority populations or low-income populations, or both. The Governor, the President pro Tempore of the Senate, and the Speaker of the Assembly shall each appoint one of the members of the committee. This committee shall make recommendations to the state board during the public process to develop and adopt emissions reduction strategies.
- (d) Beginning—in January 1, 2009, the state board shall adopt greenhouse gas emissions reduction strategies by regulation. In adopting emissions reduction strategies, the state board shall do all of the following:
- (1) Design emissions reduction strategies, including distribution of emissions allowances where appropriate, in a manner that is equitable, seeks to minimize costs and maximize the total benefits to California, and encourages early action to reduce greenhouse gas emissions.
- (2) Ensure that emissions reduction strategies do not disproportionately burden low- and moderate-income households.
- (3) (A) Provide flexible compliance mechanisms—including, but not limited to, banking, borrowing, and market mechanisms which provide compliance flexibility to entities that are required to ensure that their greenhouse gas emissions do not exceed their emissions—allowances., including providing for conditions on flexible compliance mechanisms, based on recommendations from the stakeholder process pursuant to subparagraph (B) or based on the report pursuant to subparagraph (C). The state board shall ensure that the flexible compliance mechanisms, in conjunction with the other emissions reduction strategies adopted by the state board, achieve, at a minimum, the emissions reductions required by this chapter.

38 (A)

(B) Prior to considering market mechanisms to reduce greenhouse gas emissions, the state board shall work with the

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advisory committee established pursuant to subdivision (c), as well as with other stakeholders, to identify circumstances under which the operation of market-based programs to reduce greenhouse gas emissions may worsen localized air pollution problems, particularly in communities that are already disproportionately impacted by pollution from power plants, refineries, commercial trucking routes, ports, and other major large industrial facilities. The state board shall consider the potential for direct, indirect, and cumulative impacts on air quality from these programs.

(B)-

- (C) Prior to considering flexible compliance mechanisms pursuant to this chapter, the state board shall evaluate and report to the Legislature the types, need, and costs and benefits of these mechanisms with the purpose of identifying which mechanisms would be most beneficial in achieving reductions in greenhouse gases. The report shall recommend which mechanisms should be considered in regulations to reduce greenhouse gases, and should prioritize and recommend conditions for mechanisms to protect air quality, the environment, and public health, and reduce the costs of implementation. The state board shall work with the stakeholder community and other appropriate parties and state agencies in this study.
- (4) Ensure that entities that have voluntarily reduced their greenhouse gas emissions prior to the implementation of this section receive appropriate consideration for early voluntary reductions.
- (5) Ensure that the implementation of this section complements and does not interfere with efforts to achieve and maintain federal and state health based ambient air quality standards and to address toxic air contaminant emissions.
- (6) Evaluate the long-term cost-effectiveness of emissions reduction strategies.
- (7) Evaluate the societal benefits of emissions reduction strategies, including reductions in other air pollutants, diversification of energy sources, and other benefits to the economy, environment, and public health.
- (8) Minimize the administrative burden of implementing and complying with the emissions reduction strategies.

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(9) Design emissions reduction strategies in a manner that minimizes displacement of greenhouse gas emissions.

- (10) Where feasible, coordinate with other states, the federal government, and other countries in the design and implementation of emissions reduction strategies in order to minimize displacement of greenhouse gas emissions, maximize the effectiveness of California's program, and facilitate the development of effective regional, national, and global programs for reducing emissions of greenhouse gasses.
- (e) On or before January 1, 2010, the state board shall establish a series of enforceable interim emissions limits applicable to sources or categories of sources, or both, to become effective beginning on January 1, 2012, that progressively reduce emissions levels to contribute to meeting the 2020 limit. In determining which sources and categories of sources will be subject to the interim emissions limits, the state board shall consider factors including, but not limited to, the following for each source or category of sources:
 - (1) The significance of its contribution to statewide emissions.
- (2) The effectiveness of existing emissions reduction strategies in reducing greenhouse gas emissions.
- (3) The ease of implementation and cost-effectiveness of further greenhouse gas emission reductions from these sources.
- (f) On or before January 1, 2015, the state board shall adopt regulations that establish a statewide emissions limit, to become effective on January 1, 2030, including a scheduled series of limits that will progressively reduce emissions of greenhouse gases from the 2020 emissions limit, until 2030 to the 2030 limit. The state board shall evaluate the best available economic and scientific information and existing and projected technological capabilities for the purpose of adopting these regulations.
- 42878.5. Any violation of any rule, regulation, order, emission limitation or other emissions reduction strategy adopted by the state board pursuant to Sections 42877 and 42878 shall be subject to the penalty provisions of Article 3 (commencing with Section 42400) of Chapter 4 of Part 4. The state board shall be responsible for enforcing these penalty provisions.
- 42879. (a) Nothing in this chapter shall relieve any entity of compliance with state air and water quality requirements, or

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other requirements for protecting public health or the environment.

- (b) Nothing in this chapter shall limit or expand the existing authority of any district. It is the intent of the Legislature that the state board consult with the districts in the development of measures for the reduction of emissions of greenhouse gases that will affect emissions of criteria pollutants from stationary sources.
- (c) This chapter shall not be interpreted to preclude, prohibit, or restrict the construction of any new facility or the expansion of an existing facility subject to regulation under this chapter if all applicable permitting requirements are met and the facility obtains any required allowances under any allowance based system implemented is in compliance with regulations adopted pursuant to this chapter.
- 42880. (a) No later than January 1, 2008, the state board shall complete a study to identify additional substances, contaminants, and particles suspected to cause or contribute to climate change, including, but not limited to, tropospheric ozone and ozone precursors, carbon monoxide, chlorofluorocarbons, and their substitutes.
 - (b) The state board shall update the study annually.
- 42880.5. (a) The state board may require any additional actions necessary to reduce greenhouse gas emissions to the levels required by this chapter. If Chapter 200 of the Statutes of 2002 is not fully implemented, the state board shall adopt necessary measures to compensate for the loss of anticipated reductions in greenhouse gases in the transportation sector.
- (b) The state board may provide information and assistance to cities, counties, and local agencies to help reduce greenhouse gas emissions in their jurisdictions.
- 42881. On or before January 1, 2009, and annually thereafter, the state board, in consultation with the task force established pursuant to Section 42883, shall report to the Legislature on the current level of emissions of greenhouse gases and progress made toward compliance with the statewide emissions limits on greenhouse gases established by the state board. The report shall include an inventory of current emissions of greenhouse gases and shall evaluate the adequacy of the regulations adopted to meet the emissions limits of this chapter.

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42883. (a) The Governor shall establish an interagency task force, to be convened by the Secretary for Environmental Protection which shall consist of the following:

- (1) The Secretary of the Resources Agency or his or her designee.
- (2) The Secretary of the Business, Transportation and Housing Agency or his or her designee.
- (3) The Secretary of the State and Consumer Services Agency or his or her designee.
- (4) The President of the Public Utilities Commission or his or her designee.
 - (5) The chairperson of the state board or his or her designee.
- (6) The Chairperson of the State Energy Resources Conservation and Development Commission or his or her designee.
- (7) Representatives of other state agencies or departments that the Governor determines have an important role in reducing emissions of greenhouse gases.
- (b) The interagency task force shall establish an advisory committee consisting of stakeholders including representatives from industry groups, environmental and environmental justice groups, experts, and others, to inform its activities.
- (c) The interagency task force, to the extent feasible, shall do all of the following:
- (1) Coordinate state investments and programs that reduce emissions of greenhouse gases.
- (2) Promote economic growth by encouraging California industries to develop and deploy technologies and processes that reduce greenhouse gas emissions for use both in California and for export.
- (3) Make education and outreach information publicly available about state programs that provide assistance for sources of greenhouse gases to meet the requirements of this chapter.
- (4) Ensure that existing state programs support the emissions limits on greenhouse gases established by the state board pursuant to this chapter.
- (5) Monitor conditions and coordinate planning and the state's response to changing climate conditions as they impact state water supplies, air quality, environmental and public health conditions, and the state's economy.

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(6) Create and maintain an Internet Web site clearinghouse for information on the state's policies and emissions reduction strategies to reduce greenhouse gas emissions, the activities of the interagency task force, and any other information on the state's efforts to meet the purposes of this chapter.

- SEC. 3. Section 25730 of the Public Resources Code is amended to read:
- 25730. The commission, in consultation with the State Air Resources Board, the Department of Forestry and Fire Protection, the Department of Transportation, the State Water Resources Control Board, the California Integrated Waste Management Board, and other state agencies with jurisdiction over matters affecting climate change, shall do both of the following:
- (a) Acquire and develop data and information on global climate change, and provide state, regional, and local agencies, utilities, business, industry, and other energy and economic sectors with information on the costs, technical feasibility, and demonstrated effectiveness of methods for reducing or mitigating the production of greenhouse gases from in-state sources, including net reductions through the management of natural forest reservoirs. The commission, in consultation with the State Air Resources Board, shall provide a variety of forums for the exchange of that information among interested parties, and shall provide other state agencies with information on cost-effective and technologically feasible methods that can be used to reduce or mitigate the emissions of greenhouse gases.
- (b) Update its inventory of emissions of greenhouse gases in order to supplement the information collected by the State Air Resources Board pursuant to Section 42877 of the Health and Safety Code, and to enable the State Air Resources Board to maintain a reasonably comprehensive inventory of the state's emissions of greenhouse gases. The inventory shall include information on the greenhouse gas emissions associated with petroleum products consumed in California based on, and including, but not limited to, data collected pursuant to the Petroleum Industry Information Reporting Act of 1980 (Chapter 4.5 (commencing with Section 25350) of Division 15).
- SEC. 4. No reimbursement is required by this act pursuant to Section 6 of Article XIIIB of the California Constitution because

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- 1 the only costs that may be incurred by a local agency or school
- 2 district will be incurred because this act creates a new crime or
- 3 infraction, eliminates a crime or infraction, or changes the
- 4 penalty for a crime or infraction, within the meaning of Section
- 5 17556 of the Government Code, or changes the definition of a
- 6 crime within the meaning of Section 6 of Article XIIIB of the
- 7 California Constitution.