## AMENDED IN SENATE AUGUST 9, 2006 AMENDED IN SENATE AUGUST 7, 2006 AMENDED IN SENATE JUNE 22, 2006 AMENDED IN SENATE APRIL 18, 2006 AMENDED IN SENATE AUGUST 15, 2005 AMENDED IN ASSEMBLY MARCH 31, 2005 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, 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.

(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 adopt, on or before January 1, 2008, a statewide greenhouse gas emissions limit equivalent to the 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 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.

(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

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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.

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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 8 systematically attack the serious problem caused by motor 9 vehicles, which is the major source of air pollution in many areas 10 of the state.

1 SEC. 2. Chapter 7 (commencing with Section 42875) is 2 added to Part 4 of Division 26 of the Health and Safety Code, to 3 read: 4 5 CHAPTER 7. CALIFORNIA GLOBAL WARMING SOLUTIONS ACT 6 OF 2006 7 8 42875. This chapter shall be known, and may be cited, as the 9 California Global Warming Solutions Act of 2006. The Legislature finds and declares all of the 10 42875.5. 11 following: (a) Global warming poses a serious threat to California's 12 13 economic well-being, public health, and environment. The potential adverse consequences include the degradation of air 14 15 quality, the loss of mountain snowpack leading to serious water supply problems and risk of catastrophic flooding, rising sea 16 17 levels displacing thousands of coastal businesses and residences, 18 and severe damage to California's marine ecosystems and the 19 natural environment. 20 (b) Global warming will directly affect some of California's 21 largest industries, including agriculture, wine, tourism, skiing, 22 recreational and commercial fishing, and forestry. (c) Global warming will increase the strain on electricity 23 24 supplies necessary to meet demand for summer air-conditioning 25 in the hottest parts of the state. 26 (d) California has a strong record of leadership on 27 environmental issues, including enacting some of the nation's 28 first air quality protections, energy efficiency requirements, renewable energy standards, and landmark greenhouse gas 29 30 emission standards for passenger vehicles. 31 (e) California's leadership and actions to reduce global 32 warming will have a significant impact by encouraging other states, the federal government, and other countries to act, all of 33 34 which will be necessary to fully address this issue. In addition, by 35 exercising early leadership, California will position its economy, technology centers, and businesses to benefit from national and 36 37 international efforts to reduce greenhouse gas emissions now and 38 in the future. 42876. For the purposes of this chapter, the following terms 39 40 have the following meanings:

1 (a) "Allowance" means an authorization to emit, during a 2 specified year, up to one ton of carbon dioxide equivalence.

3 (b) "Carbon dioxide equivalence" means the amount of carbon
4 dioxide by weight that would produce the same global warming
5 impact as a given weight of another greenhouse gas, based on the
6 most recent information available from the Intergovernmental
7 Panel on Climate Change.

8 (c) "Cost-effectiveness" means the cost per unit of reduced 9 emissions of greenhouse gases from a particular source or 10 category of sources resulting from an emissions reduction 11 strategy compared to the cost of reduced emissions resulting 12 from other emissions reduction strategies for the same source or 13 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) "Emissions reduction strategies" means programs,
measures, standards, and flexible compliance mechanisms
pursuant to this chapter applicable to sources or categories of
sources.

(f) "Flexible compliance mechanisms" means mechanisms,
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.

26 (g) "Greenhouse gases" or "greenhouse gas" means
27 "greenhouse gases" as defined in Section 42801.1, or a
28 substance, contaminant, or particle determined by the state board
29 to cause or contribute to climate change pursuant to Section
30 42880.

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

(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.

(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 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.

8 (k) "Statewide emissions limit" means a maximum annual 9 allowable level of statewide emissions.

10 42876.5. All state agencies shall consider and implement 11 strategies to reduce greenhouse gas emissions. It is the intent of 12 the Legislature that the state board cooperate with other state 13 agencies to achieve the statewide emissions limits created 14 pursuant to Section 42878 and account for projected reductions 15 in greenhouse gas emissions from state agency programs not 16 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 and to
monitor and enforce compliance.

21 (b) The regulations shall require the monitoring and annual 22 reporting of greenhouse gas emissions from significant sources 23 identified by the state board, beginning with the sources or categories of sources that contribute the most to statewide 24 25 emissions. The reporting program shall also account for all 26 electricity consumed in the state, including transmission and 27 distribution line losses from electricity generated within the state 28 or imported from outside the state.

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

31 (d) The regulations shall, where appropriate and feasible, 32 incorporate the standards and protocols developed by the California Climate Action Registry, established pursuant to 33 34 Chapter 6 (commencing with Section 42800). Entities that 35 voluntarily participated in the California Climate Action Registry prior to December 31, 2006, and have a fully developed reporting 36 program, shall not be required to significantly alter their 37 38 reporting or verification program except as necessary to ensure 39 that reporting is complete and verifiable for the purposes of state 40 regulation and tracking of greenhouse gas emissions.

1 42877.5. If the federal government enacts a law limiting 2 greenhouse gas emissions that the state board determines is of 3 equivalent or greater effectiveness in achieving the statewide 4 emissions limits and timeframes established pursuant to this 5 chapter, the state board may modify or elect not to adopt 6 emissions reduction strategies pursuant to this chapter for any 7 greenhouse gas or source included in the federal law.

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8 42878. (a) (1) It is the intent of the Legislature that the state 9 board design emissions reduction strategies to meet the statewide 10 emissions limits established pursuant to this section in a manner 11 that minimizes costs and maximizes benefits for California's 12 economy, improves and modernizes California's energy infrastructure, 13 maximizes additional environmental and 14 economic cobenefits for California, and complements state 15 efforts to improve air quality.

16 (2) (A) The state board shall consult broadly with 17 stakeholders in developing regulations to meet the purposes of 18 this chapter and to meet the statewide emissions limits in a 19 beneficial and cost-effective manner.

20 (B) By March 1, 2007, the state board shall convene a 21 stakeholder process to inform the development of regulations and 22 programs to reduce greenhouse gases in California. The state 23 board shall solicit information and input from regulated entities 24 on the most efficient, low-cost, and beneficial ways they can 25 reduce their greenhouse gas emissions, identify regulatory and 26 legal barriers to implementing emissions reduction strategies, 27 evaluate state investment strategies in research and development 28 and applied technologies, and work with regulated entities to 29 develop draft plans that may be used in conjunction with 30 regulatory process to reduce greenhouse gas emissions. The 31 purpose of these plans shall be to reduce regulatory costs and 32 obligations, where feasible, in achieving greenhouse gas 33 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

1 Utilities Commission in order to ensure that electricity and 2 natural gas providers are not required to meet duplicative or 2 inconsistent requirements and to ensure that consistent

3 inconsistent requirements, and to ensure that consistent 4 requirements are met.

(b) On or before January 1, 2008, the state board shall 5 determine what the statewide greenhouse gas emissions levels 6 7 were in 1990, and adopt a statewide emissions limit that is 8 equivalent to that level to become effective in 2020. The state 9 board shall evaluate the best available scientific and economic information on greenhouse gas emissions to determine the 1990 10 level. The state board shall not require individual entities to 11 provide information on their 1990 emissions levels. 12

13 (c) The state board shall establish an advisory committee 14 consisting of three representatives from communities in the state 15 with the most significant exposure to air contaminants or localized air contaminants, or both, including, but not limited to, 16 17 communities with minority populations or low-income populations, or both. The Governor, the President pro Tempore 18 19 of the Senate, and the Speaker of the Assembly shall each appoint one of the members of the committee. This committee 20 21 shall make recommendations to the state board during the public 22 process to develop and adopt emissions reduction strategies.

(d) Beginning 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.

32 (2) Ensure that emissions reduction strategies do not
33 disproportionately burden low- and moderate-income
34 households.

35 (3) (A) Provide—Consider providing flexible compliance 36 mechanisms, including providing for conditions on flexible 37 compliance mechanisms, based on recommendations from the 38 stakeholder process pursuant to subparagraph (B) or based on the 39 report pursuant to subparagraph (C). The state board shall ensure 40 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

3 chapter.

4 (B) Prior to considering market mechanisms to reduce 5 greenhouse gas emissions, the state board shall work with the 6 advisory committee established pursuant to subdivision (c), as well as with other stakeholders, to identify circumstances under 7 8 which the operation of market-based programs to reduce 9 greenhouse gas emissions may worsen localized air pollution 10 problems, particularly in communities that are already disproportionately impacted by pollution from power plants, 11 12 refineries, commercial trucking routes, ports, and other major 13 large industrial facilities. The state board shall consider the 14 potential for direct, indirect, and cumulative impacts on air 15 quality from these programs.

(C) Prior to considering flexible compliance mechanisms 16 17 pursuant to this chapter, the state board shall evaluate and report 18 to the Legislature the types, need, and costs and benefits of these 19 mechanisms with the purpose of identifying which mechanisms would be most beneficial in achieving reductions in greenhouse 20 21 gases. The report shall recommend which mechanisms should be 22 considered in regulations to reduce greenhouse gases, and should 23 prioritize and recommend conditions for mechanisms to protect 24 air quality, the environment, and public health, and reduce the 25 costs of implementation. The state board shall work with the 26 stakeholder community and other appropriate parties and state 27 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.

32 (5) Ensure that the implementation of this section
33 complements and does not interfere with efforts to achieve and
34 maintain federal and state health based ambient air quality
35 standards and to address toxic air contaminant emissions.

36 (6) Evaluate the long-term cost-effectiveness of emissions37 reduction strategies.

38 (7) Evaluate the societal benefits of emissions reduction39 strategies, including reductions in other air pollutants,

1 diversification of energy sources, and other benefits to the 2 economy, environment, and public health.

3 (8) Minimize the administrative burden of implementing and4 complying with the emissions reduction strategies.

5 (9) Design emissions reduction strategies in a manner that 6 minimizes displacement of greenhouse gas emissions.

7 (10) Where feasible, coordinate with other states, the federal 8 and other countries in the design government, and 9 implementation of emissions reduction strategies in order to 10 minimize displacement of greenhouse gas emissions, maximize the effectiveness of California's program, and facilitate the 11 12 development of effective regional, national, and global programs 13 for reducing emissions of greenhouse gasses.

14 (e) On or before January 1, 2010, the state board shall 15 establish a series of enforceable interim emissions limits applicable to sources or categories of sources, or both, to become 16 17 effective beginning on January 1, 2012, that progressively reduce 18 emissions levels to contribute to meeting the 2020 limit. In 19 determining which sources and categories of sources will be 20 subject to the interim emissions limits, the state board shall 21 consider factors including, but not limited to, the following for 22 each source or category of sources:

23 (1) The significance of its contribution to statewide emissions.

(2) The effectiveness of existing emissions reduction strategiesin reducing greenhouse gas emissions.

26 (3) The ease of implementation and cost-effectiveness of27 further greenhouse gas emission reductions from these sources.

28 (f) On or before January 1, 2015, the state board shall adopt 29 regulations that establish a statewide emissions limit, to become 30 effective on January 1, 2030, including a scheduled series of 31 limits that will progressively reduce emissions of greenhouse 32 gases from the 2020 emissions limit to the 2030 limit. The state board shall evaluate the best available economic and scientific 33 34 information and existing and projected technological capabilities 35 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.

3 42879. (a) Nothing in this chapter shall relieve any entity of 4 compliance with state air and water quality requirements, or 5 other requirements for protecting public health or the 6 environment.

7 (b) Nothing in this chapter shall limit or expand the existing 8 authority of any district. It is the intent of the Legislature that the 9 state board consult with the districts in the development of 10 measures for the reduction of emissions of greenhouse gases that 11 will affect emissions of criteria pollutants from stationary 12 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 is in
compliance with regulations adopted pursuant to this chapter.

18 42880. (a)-No later than January 1, 2008, the state board 19 shall complete a study to identify additional substances, 20 contaminants, and particles suspected to cause or contribute to 21 climate change, including, but not limited to, tropospheric ozone 22 and ozone precursors, carbon monoxide, chlorofluorocarbons, 23 and their substitutes.

24 (b) The state board shall update the study annually.

25 42880.5. (a) The state board may require any additional

26 actions necessary to reduce greenhouse gas emissions to the

27 levels required by this chapter. If Chapter 200 of the Statutes of

28 2002 is not fully implemented, the state board shall adopt 29 necessary measures to compensate for the loss of anticipated

30 reductions in greenhouse gases in the transportation sector.

31 (b) The state board may provide information and assistance to
 32 cities, counties, and local agencies to help reduce greenhouse gas
 33 emissions in their jurisdictions.

- 42880.5. If the regulations adopted pursuant to Section
  43018.5 do not remain in effect, the state board shall implement
  alternative regulations to control mobile sources of greenhouse
  gas emissions to achieve equivalent or greater reductions.
- 38 42880.7. (a) The state board may provide information and
- 39 assistance to cities, counties, and local agencies to help reduce
- 40 greenhouse gas emissions in their jurisdictions.

1 (b) It is the intent of the Legislature that the state board consult with the districts in the development of measures for the 2 3 reduction of emissions of greenhouse gases that will affect

4 emissions of criteria air pollutants from stationary sources.

5 42881. On or before January 1, 2009, and annually thereafter, the state board, in consultation with the task force established 6 7 pursuant to Section 42883, shall report to the Legislature on the 8 current level of emissions of greenhouse gases and progress 9 made toward compliance with the statewide emissions limits on 10 greenhouse gases established by the state board. The report shall 11 include an inventory of current emissions of greenhouse gases

12 and shall evaluate the adequacy of the regulations adopted to 13 meet the emissions limits of this chapter.

42883. (a) The Governor shall establish an interagency task 14 15 force, to be convened by the Secretary for Environmental

Protection which shall consist of the following: 16

17 (1) The Secretary of the Resources Agency or his or her 18 designee.

19 (2) The Secretary of the Business, Transportation and Housing 20 Agency or his or her designee.

21 (3) The Secretary of the State and Consumer Services Agency 22 or his or her designee.

(4) The President of the Public Utilities Commission or his or 23 24 her designee. 25

(5) The chairperson of the state board or his or her designee.

26 (6) The Chairperson of the State Energy Resources 27 Conservation and Development Commission or his or her 28 designee.

29 (7) Representatives of other state agencies or departments that 30 the Governor determines have an important role in reducing 31 emissions of greenhouse gases.

32 (b) The interagency task force shall establish an advisory committee consisting of stakeholders including representatives 33 34 from industry groups, environmental and environmental justice 35 groups, experts, and others, to inform its activities.

36 (c) The interagency task force, to the extent feasible, shall do 37 all of the following:

38 (1) Coordinate state investments and programs that reduce 39 emissions of greenhouse gases.

1 (2) Promote economic growth by encouraging California 2 industries to develop and deploy technologies and processes that 3 reduce greenhouse gas emissions for use both in California and 4 for export.

5 (3) Make education and outreach information publicly 6 available about state programs that provide assistance for sources 7 of greenhouse gases to meet the requirements of this chapter.

8 (4) Ensure that existing state programs support the emissions 9 limits on greenhouse gases established by the state board 10 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.

15 (6) Create and maintain an Internet Web site clearinghouse for 16 information on the state's policies and emissions reduction 17 strategies to reduce greenhouse gas emissions, the activities of 18 the interagency task force, and any other information on the 19 state's efforts to meet the purposes of this chapter.

20 SEC. 3. Section 25730 of the Public Resources Code is 21 amended to read:

22 25730. The commission, in consultation with the State Air 23 Resources Board, the Department of Forestry and Fire 24 Protection, the Department of Transportation, the State Water 25 Resources Control Board, the California Integrated Waste 26 Management Board, and other state agencies with jurisdiction 27 over matters affecting climate change, shall do both of the 28 following:

29 (a) Acquire and develop data and information on global 30 climate change, and provide state, regional, and local agencies, 31 utilities, business, industry, and other energy and economic 32 sectors with information on the costs, technical feasibility, and 33 demonstrated effectiveness of methods for reducing or mitigating 34 the production of greenhouse gases from in-state sources, including net reductions through the management of natural 35 forest reservoirs. The commission, in consultation with the State 36 37 Air Resources Board, shall provide a variety of forums for the 38 exchange of that information among interested parties, and shall 39 provide other state agencies with information on cost-effective

1 and technologically feasible methods that can be used to reduce 2 or mitigate the emissions of greenhouse gases.

3 (b) Update its inventory of emissions of greenhouse gases in 4 order to supplement the information collected by the State Air 5 Resources Board pursuant to Section 42877 of the Health and Safety Code, and to enable the State Air Resources Board to 6 7 maintain a reasonably comprehensive inventory of the state's 8 emissions of greenhouse gases. The inventory shall include 9 information on the greenhouse gas emissions associated with 10 petroleum products consumed in California based on, and including, but not limited to, data collected pursuant to the 11 Petroleum Industry Information Reporting Act of 1980 (Chapter 12

13 4.5 (commencing with Section 25350) of Division 15).

SEC. 4. No reimbursement is required by this act pursuant to 14

15 Section 6 of Article XIIIB of the California Constitution because

the only costs that may be incurred by a local agency or school 16

17 district will be incurred because this act creates a new crime or

infraction, eliminates a crime or infraction, or changes the 18

19 penalty for a crime or infraction, within the meaning of Section 20 17556 of the Government Code, or changes the definition of a

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crime within the meaning of Section 6 of Article XIII B of the

22 California Constitution.

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