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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 *Arambula, Baca, Bass, Berg, Chan, Bermudez, Calderon, Chan, Chavez, Chu, Cohn, Coto, De La Torre, Dymally, Evans, Frommer, Goldberg, Hancock, Jerome Horton, Jones, Karnette, Klehs, Koretz, Laird, Leno, Levine, Lieber, Lieu, Montanez, Mullin, Nava, Oropeza, Ridley-Thomas, Ruskin, Saldana, Salinas, Torrico, Vargas, Wolk, and Yee*)

(Coauthors: Senators *Alarcon, Bowen, Chesbro, Escutia, Figueroa, Kehoe, Kuehl, Lowenthal, Migden, Romero, Simitian, Speier, Soto, Speier, Torlakson, 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 Division 25.5 (commencing with Section 38500) to, the Health and~~

Safety Code, and to ~~amend~~ *repeal* 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 (*state 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 enact the California Global Warming Solutions Act of 2006. The act would create and specify the membership of the California Greenhouse Gas Reduction Council (council) with the purpose of coordinating the development and implementation of the State Agency Greenhouse Gas Emission Plan. The bill would require state bodies, as defined, to submit and the council to adopt a statewide greenhouse gas emissions reduction plan and plan elements and would require state bodies to adopt and implement the measures specified in the plan or plan updates and to report annually to the council on the progress of its plan elements. The bill would require the council, by January 1, 2008, to prepare and submit to the Governor and Legislature a report that makes recommendations for changes to state law and regulation that will assist in providing financial or other incentives to greenhouse gas emission sources and other entities to undertake actions to reduce greenhouse gas emissions to comply with the act.

~~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 authorize the state board to adopt a schedule of fees to be paid by the sources of greenhouse gas emissions to cover the actual cost of the~~

monitoring and reporting program. 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~~ *be achieved by* 2020, as specified. The bill would also require the state board to establish ~~a series of~~ *by January 1, 2010, enforceable interim emissions limits, to become operative on January 1, 2012, and January 1, 2016,* 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~~ *measures*, as defined, *by regulation in order to achieve the maximum feasible reductions in greenhouse gas emissions to meet the statewide emissions limit. The bill would authorize the state board to adopt market mechanisms, as defined, meeting specified requirements. The bill would require the state board to monitor compliance with and enforce any rule, regulation, order, emission limitation, emissions reduction measure, or market mechanism adopted by the state board, pursuant to specified provisions of existing law.*

~~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 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 *transfer the duty of preparing an inventory of greenhouse gas emissions, as specified, from the Energy Commission to the state board.*

(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:

1 SECTION 1. Division 25.5 (commencing with Section 38500)
2 is added to the Health and Safety Code, to read:

3
4 DIVISION 25.5. CALIFORNIA GLOBAL WARMING
5 SOLUTIONS ACT OF 2006

6
7 PART 1. GENERAL PROVISIONS

8
9 CHAPTER 1. TITLE OF DIVISION

10
11 38500. This division shall be known, and may be cited, as the
12 California Global Warming Solutions Act of 2006.

1 *CHAPTER 2. FINDINGS AND DECLARATIONS*

2
3 38501. *The Legislature finds and declares all of the*
4 *following:*

5 (a) *Global warming poses a serious threat to the economic*
6 *well-being, public health, natural resources, and the environment*
7 *of California. The potential adverse impacts of global warming*
8 *include the exacerbation of air quality problems, a reduction in*
9 *the quality and supply of water to the state from the Sierra snow*
10 *pack, a rise in sea levels resulting in the displacement of*
11 *thousands of coastal businesses and residences, damage to*
12 *marine ecosystems and the natural environment, and an increase*
13 *in the incidences of infectious diseases, asthma, and other human*
14 *health related problems.*

15 (b) *Global warming will have detrimental effects on some of*
16 *California's largest industries, including agriculture, wine,*
17 *tourism, skiing, recreational and commercial fishing, and*
18 *forestry. It will also increase the strain on electricity supplies*
19 *necessary to meet the demand for summer air-conditioning in the*
20 *hottest parts of the state.*

21 (c) *California has long been a national and international*
22 *leader on energy conservation and environmental stewardship*
23 *efforts, including the areas of air quality protections, energy*
24 *efficiency requirements, renewable energy standards, natural*
25 *resource conservation, and greenhouse gas emission standards*
26 *for passenger vehicles. The program established by this division*
27 *will continue this tradition of environmental leadership by*
28 *California by placing it at the forefront of the national and*
29 *international efforts to reduce emissions of greenhouse gases.*

30 (d) *National and international actions are necessary to fully*
31 *address the issue of global warming. However, action taken by*
32 *California to reduce emissions of greenhouse gases will have*
33 *far-reaching effects by encouraging other states, the federal*
34 *government, and other countries to act.*

35 (e) *By exercising a global leadership role, California will also*
36 *position its economy, technology centers, financial institutions,*
37 *and businesses to benefit from national and international efforts*
38 *to reduce emissions of greenhouse gases. More importantly,*
39 *investing in the development of innovative and pioneering*
40 *technologies will assist California in achieving the 2020*

1 *statewide limit upon emissions of greenhouse gases established*
 2 *by this division and provides an opportunity for the state to take*
 3 *a global economic and technological leadership role in reducing*
 4 *emissions of greenhouse gases.*

5 *(f) It is the intent of the Legislature that the California*
 6 *Greenhouse Gas Reduction Council created in this division*
 7 *develop a Statewide Greenhouse Gas Reduction Plan to meet the*
 8 *statewide limits on the emissions of greenhouse gases established*
 9 *pursuant to this division, and that the council coordinate with*
 10 *state agencies, as well as consult with the environmental justice*
 11 *community, industry sectors, business groups, academic*
 12 *institutions, environmental organizations, and other stakeholders*
 13 *in the development of the statewide plan.*

14 *(g) It is the intent of the Legislature that the State Air*
 15 *Resources Board cooperate with the Public Utilities Commission*
 16 *in the development of emissions reduction measures, including*
 17 *limits on emissions of greenhouse gases applied to electricity and*
 18 *natural gas providers regulated by the Public Utilities*
 19 *Commission in order to ensure that electricity and natural gas*
 20 *providers are not required to meet duplicative or inconsistent*
 21 *regulatory requirements.*

22 *(h) It is the intent of the Legislature that the State Air*
 23 *Resources Board design emissions reduction measures to meet*
 24 *the statewide emissions limits for greenhouse gases established*
 25 *pursuant to this division in a manner that minimizes costs and*
 26 *maximizes benefits for California’s economy, improves and*
 27 *modernizes California’s energy infrastructure, maximizes*
 28 *additional environmental and economic co-benefits for*
 29 *California, and complements the state’s efforts to improve air*
 30 *quality.*

31 *(i) It is the intent of the Legislature that the state board*
 32 *consider the appropriate emissions reduction measures for each*
 33 *covered source or category of sources and not require that each*
 34 *individual source reduce emissions to its own 1990 level unless it*
 35 *is determined to be appropriate by the state board.*

36

37 *CHAPTER 3. DEFINITIONS*

38

39 *38505. For the purposes of this division, the following terms*
 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 equivalent.
- 3 (b) “Alternative compliance mechanism” means an action
4 taken by a source that reduces greenhouse gas emissions over
5 the same time period in a manner that is real, permanent,
6 quantifiable, enforceable, and provides equivalent or greater
7 emission reductions as required by the State Air Resources
8 Board.
- 9 (c) “Carbon dioxide equivalent” means the amount of carbon
10 dioxide by weight that would produce the same global warming
11 impact as a given weight of another greenhouse gas, based on
12 the best available science, including from the Intergovernmental
13 Panel on Climate Change.
- 14 (d) “Cost-effective” or “cost-effectiveness” means the cost
15 per unit of reduced emissions of greenhouse gases from a
16 particular source or category of sources resulting from an
17 emissions reduction strategy, compared to the cost of reduced
18 emissions resulting from other emissions reduction measures for
19 the same source or categories of sources.
- 20 (e) “Council” means the California Greenhouse Gas
21 Reduction Council established pursuant to Part 2 (commencing
22 with Section 38510).
- 23 (f) “Emissions reduction measure” means programs,
24 measures, standards, alternative compliance mechanisms, and
25 market mechanisms authorized pursuant to this division
26 applicable to sources or categories of sources.
- 27 (g) “Greenhouse gases” means all of the following gases:
28 carbon dioxide, methane, nitrous oxide, hydrofluorocarbons,
29 perfluorocarbons, and sulfur hexafluoride.
- 30 (h) “Greenhouse gas emissions limit” means an authorization,
31 during a specified year, to emit up to a level of greenhouse gases
32 specified by the State Air Resources Board, expressed in tons of
33 carbon dioxide equivalents.
- 34 (i) “Interim greenhouse gas emissions limit” means a
35 maximum annual allowable level of greenhouse gas emissions
36 established by the State Air Resources Board.
- 37 (j) “Leakage” means a reduction in emissions of greenhouse
38 gases within the state that is offset by an increase in emissions of
39 greenhouse gas outside the state.

1 (k) “Market mechanism” means an action that reduces
2 emissions of greenhouse gases in a manner that is real,
3 permanent, quantifiable, and enforceable, including banking,
4 borrowing, and other multisector market-based mechanisms
5 adopted pursuant to Part 7 (commencing with Section 38570).

6 (l) “Plan element” means a plan set forth pursuant to Part 3
7 (commencing with Section 38530) by a state body that will be
8 implemented to meet greenhouse gas emissions reductions under
9 the statewide plan.

10 (m) “Significant greenhouse gas source” means any source of
11 emissions of greenhouse gases whose emissions are at a level
12 that the state board determines that their participation in the
13 program established pursuant to Part 4 (commencing with
14 Section 38540) will further the objective of enabling the state
15 board to effectively monitor compliance with the statewide
16 emissions limit. Significant sources shall include any entity that
17 provides electricity to retail end-use customers, including entities
18 under Sections 218, 218.3, 218.5, 366.2, 2802, or 9604 of the
19 Public Utilities Code.

20 (n) “State board” means the State Air Resources Board.

21 (o) “State body” means an agency from the following list, or a
22 constituent board, department, commission, or other state entity
23 within an agency from the following list, that has the authority to
24 implement actions that achieve greenhouse gas emissions
25 reductions:

26 (1) The Business, Transportation and Housing Agency.

27 (2) The California Environmental Protection Agency.

28 (3) The Public Utilities Commission.

29 (4) The Resources Agency.

30 (5) The State and Consumer Services Agency.

31 (6) The Secretary of the Department of Food and Agriculture.

32 (p) “Statewide emissions” means the total annual emissions
33 of greenhouse gases from all sources in the state, including all
34 emissions of greenhouse gases from the generation of electricity
35 delivered to and consumed in California, accounting for
36 transmission and distribution line losses, whether the electricity
37 is generated in state or imported. Statewide emissions shall be
38 expressed in tons of carbon dioxide equivalents.

39 (q) “Statewide emissions limit” means a maximum allowable
40 level of statewide emissions in 2020.

1 (r) “Statewide greenhouse gas emission reduction plan”
2 means the plan, including plan elements, approved by the council
3 pursuant to Part 3 (commencing with Section 38530), to
4 implement statewide greenhouse gas reductions to achieve the
5 statewide emissions limit by 2020.

6
7 **PART 2. CALIFORNIA GREENHOUSE GAS REDUCTION**
8 **COUNCIL**

9
10 **CHAPTER 1. MEMBERSHIP AND GENERAL PROVISIONS**

11
12 38510. (a) *The California Greenhouse Gas Reduction*
13 *Council is hereby established in state government.*

14 (b) *The council shall consist of nine voting members, as*
15 *follows:*

16 (1) *The Secretary for Environmental Protection who will serve*
17 *as the chair.*

18 (2) *The Chair of the State Air Resources Board.*

19 (3) *The President of the Public Utilities Commission.*

20 (4) *The Chair of the State Energy Resources Conservation and*
21 *Development Commission.*

22 (5) *One public member appointed by the Governor for a fixed*
23 *term of four years, subject to Senate confirmation.*

24 (6) *Two public members appointed by the Senate Rules*
25 *Committee for a fixed term of four years. One of the public*
26 *members shall have expertise in economics.*

27 (7) *Two public members appointed by the Speaker of the*
28 *Assembly, for a fixed term of four years. One of the public*
29 *members shall have expertise in climate policy or climate*
30 *science.*

31 (c) *The council shall meet at least quarterly, beginning March*
32 *1, 2007, and may meet more frequently as necessary to complete*
33 *its agenda in any given year.*

34 38511. *The following persons, or their designees, shall serve*
35 *as nonvoting ex officio members of the council:*

36 (a) *The Secretary of the Business, Transportation and Housing*
37 *Agency.*

38 (b) *The Secretary of the State and Consumer Services Agency.*

39 (c) *The Director of the Department of Food and Agriculture.*

1 (d) *The Chair of the California Integrated Waste Management*
2 *Board.*

3 (e) *The Secretary of the Resources Agency.*

4 38512. (a) *The affirmative vote of at least five voting*
5 *members shall be required for the transaction of any business of*
6 *the council. The council shall not conduct business prior to the*
7 *appointment of all public members.*

8 (b) *A vacancy on the council shall not impair the right of the*
9 *remaining voting members to exercise all the powers of the*
10 *council, and five members of the council shall at all times*
11 *constitute a quorum.*

12 (c) *The council shall comply with both of the following:*

13 (1) *The Bagley-Keene Open Meeting Act (Article 9*
14 *(commencing with Section 11120) of Chapter 1 of Part 1 of*
15 *Division 3 of Title 2 of the Government Code).*

16 (2) *The Political Reform Act of 1974 (Title 9 (commencing*
17 *with Section 81000) of the Government Code).*

18 38513. *The Attorney General shall represent the council and*
19 *the state in any litigation concerning the affairs of the council.*

20 38514. (a) *The council shall establish an advisory committee*
21 *of representatives from communities in the state with the most*
22 *significant exposure to air pollution, including, but not limited to,*
23 *communities with minority populations or low-income*
24 *populations, or both. The Governor, the President pro Tempore*
25 *of the Senate, and the Speaker of the Assembly shall each appoint*
26 *one member of the committee. The committee may make*
27 *recommendations to the council on any matters pertinent to this*
28 *division.*

29 (b) *The council shall appoint an Economic and Technology*
30 *Advancement Advisory Committee to advise the council on*
31 *activities that will facilitate investment in and implementation of*
32 *technological research and development opportunities. Such*
33 *opportunities include, but are not limited to, identifying new*
34 *technologies, research, demonstration projects, and funding*
35 *opportunities; developing state, national, and international*
36 *partnerships and technology transfer opportunities; and*
37 *identifying and assessing research and advanced technology*
38 *investment and incentive opportunities that will assist in the*
39 *reduction of greenhouse gas emissions. The committee may also*
40 *advise the council on state, regional, national, and international*

1 *economic and technological developments related to greenhouse*
2 *gas emission reductions.*

3

4 *CHAPTER 2. POWERS AND DUTIES OF THE CALIFORNIA*
5 *GREENHOUSE GAS REDUCTION COUNCIL*

6

7 38520. (a) *The purpose of the council is to coordinate the*
8 *development and implementation of the Statewide Greenhouse*
9 *Gas Emissions Reduction Plan, required by Part 3 (commencing*
10 *with Section 38530), and develop a program for enhancing*
11 *research, development, and demonstration of greenhouse gas*
12 *emissions reduction methods as specified in this division.*

13 (b) *For purposes of carrying out this division, the council*
14 *shall do all of the following:*

15 (1) *Coordinate with all state bodies, as appropriate, to ensure*
16 *that specified reductions of greenhouse gas emissions are met.*

17 (2) *Coordinate with the federal government and other states*
18 *and countries on the development of protocols for the reporting*
19 *of greenhouse gas emissions.*

20 (3) *Conduct its activities that substantially affect human health*
21 *or the environment in a manner that ensures the fair treatment of*
22 *people of all races, cultures, and income levels, including*
23 *minority populations and low-income populations of the state*
24 *pursuant to Section 71110 of the Public Resources Code.*

25 (4) *Promote economic growth by encouraging industries that*
26 *develop and deploy in the state, and export from the state, to use*
27 *technologies and processes that reduce greenhouse gas*
28 *emissions by working with the Economic and Technology*
29 *Advancement Advisory Committee appointed pursuant to*
30 *subdivision (b) of Section 38514.*

31 (5) *Perform an economic analysis of the statewide greenhouse*
32 *gas emissions reduction plan and plan updates.*

33 (6) *Evaluate and report annually to the Legislature on the*
34 *current level of greenhouse gases and on the progress of*
35 *greenhouse gas emission reduction programs in the state that*
36 *support the emission reduction measures established by this*
37 *division and contribute to meeting the statewide emissions limit.*

38 (7) *Monitor the state's response to the impacts of climate*
39 *change on water availability and quality, public health, natural*
40 *resources, and energy supply.*

1 (8) *Make information publicly available about state programs*
2 *that may provide assistance for sources of greenhouse gases to*
3 *meet emission reductions outlined in this division.*

4 (9) *Promote a multigenerational public education campaign*
5 *relating to climate change.*

6 (10) *Create and maintain an Internet Web site clearinghouse*
7 *for information on the state's policies and emissions reduction*
8 *strategies to reduce greenhouse gas emissions, the activities of*
9 *the council, and any other information on the state's efforts to*
10 *meet the purposes of this division.*

11 (11) *Provide information to cities, counties, and local*
12 *agencies to help reduce greenhouse gas emissions in their*
13 *jurisdictions.*

14 (12) *Coordinate statewide efforts to obtain and maximize*
15 *available funding, including leveraging any investments made by*
16 *the academic or private sector.*

17 (13) *Review the proposed incentives identified by each state*
18 *body in its plan element to reduce greenhouse gases.*

19 (14) *Establish and maintain a clearinghouse of research,*
20 *development, demonstration, and funding opportunities.*

21 (c) *This division does not confer any regulatory authority*
22 *upon the council and does not limit or expand the regulatory*
23 *authority or duties of any state body, except as expressly*
24 *provided in this division.*

25 38521. *On or before January 1, 2008, the council shall do*
26 *both of the following:*

27 (a) *Evaluate the current progress of climate change emission*
28 *reduction programs in the state.*

29 (b) *Prepare and submit to the Governor and the Legislature a*
30 *report that makes recommendations for changes to state law and*
31 *regulation that will assist in providing financial or other*
32 *incentives to greenhouse gas emission sources and other entities*
33 *to undertake actions to reduce greenhouse gas emissions in*
34 *compliance with this division.*

35 38522. (a) *If the federal government enacts a law limiting*
36 *greenhouse gas emissions that the council determines is of*
37 *equivalent or greater effectiveness in achieving the statewide*
38 *emissions limits and timeframes established pursuant to this*
39 *division, the council may modify or elect not to adopt emissions*
40 *reduction measures in a noticed public hearing pursuant to this*

1 *division for any greenhouse gas or source included in the federal*
2 *law.*

3 *(b) Prior to modifying or electing not to adopt emissions*
4 *reduction measures pursuant to subdivision (a), the council shall*
5 *provide the Legislature with at least 30 days' notice of the*
6 *intended action, while the Legislature is in regular session.*
7 *Within 30 days of receiving notice, the Legislature shall review*
8 *and hold a public hearing on the proposed action by the council.*

9

10 *PART 3. STATEWIDE GREENHOUSE GAS EMISSIONS*
11 *REDUCTION PLAN*

12

13

CHAPTER 1. PUBLIC STAKEHOLDER PROCESS

14

15 *38530. By June 1, 2007, the council and assigned state bodies*
16 *shall convene a stakeholder process to advise in the development*
17 *of the statewide greenhouse gas emissions reduction plan and*
18 *plan elements to reduce emissions of greenhouse gases in*
19 *California.*

20

21

CHAPTER 2. PLAN DEVELOPMENT AND IMPLEMENTATION

22

23 *38535. (a) Each state body shall submit a plan element to the*
24 *council by June 1, 2008, and by June 1 of each fourth year*
25 *thereafter.*

26 *(b) The plan element, or plan element update, shall set forth*
27 *the greenhouse gas emission reductions the state body plans to*
28 *achieve, and how the state body proposes to achieve the emission*
29 *reductions, by the relevant deadlines established by this division.*
30 *For that purpose, the plan element or plan element update shall*
31 *describe the measures that the state body plans will implement*
32 *including, but not limited to, incentive measures, best*
33 *management practices, and regulations. The plan element and*
34 *plan element updates shall do all of the following:*

35 *(1) Identify investment opportunities, technologies, public and*
36 *private sector programs to reduce greenhouse gases, and identify*
37 *funding needs, and technology gaps to encourage innovation and*
38 *dissemination and adoption of low-cost technologies that will*
39 *help reduce greenhouse gases.*

- 1 (2) Analyze and recommend state incentives to encourage the
2 development and adoption of low-carbon technologies.
- 3 (3) Identify regulatory and legal barriers to the
4 implementation of greenhouse gas emission reductions.
- 5 (4) Recommend further policies and programs to achieve
6 ongoing and permanent greenhouse gas emission reductions.
- 7 (5) Include alternative compliance mechanisms.
- 8 (6) Include an evaluation and recommendations on
9 multisector market-based mechanisms which may be adopted
10 pursuant to Part 7 (commencing with Section 38570).
- 11 (c) In selecting the measures for inclusion in the plan element,
12 or plan element update, the state body shall consider relevant
13 factors including, but not limited to the following:
- 14 (1) Achievement of maximum reductions in the emission of
15 greenhouse gases.
- 16 (2) Protection of public health and the environment.
- 17 (3) Impacts on the California economy.
- 18 (4) Technological feasibility.
- 19 (5) Cost-effectiveness.
- 20 (6) The requirements set forth in Section 38536, that the
21 statewide greenhouse gas emission reduction plan and plan
22 updates, to the extent feasible, achieve the following:
- 23 (A) Maximize the total benefit to the economy.
- 24 (B) Not disproportionately impact low-income communities.
- 25 (C) Compliance flexibility, where appropriate.
- 26 (D) Ensure that entities that have voluntarily reduced their
27 emissions of greenhouse gases and reported with the Climate
28 Action Registry, receive appropriate credit for emissions
29 reductions made prior to the implementation of this program.
- 30 (E) Minimize the administrative burden of implementing and
31 complying with the program.
- 32 (F) Minimize leakage.
- 33 38536. (a) The council shall review the plan elements and
34 plan element updates submitted pursuant to Section 38535 by
35 each state body.
- 36 (b) The state bodies shall cooperate with the council to ensure
37 that the sum of the actions identified in the plan elements and
38 plan element updates at least equals the greenhouse gas emission
39 reductions that are necessary to meet the statewide greenhouse

1 *gas emissions limit adopted by the state board pursuant to Part 5*
2 *(commencing with Section 38550).*

3 *(c) On or before January 1, 2009, and by January 1 of every*
4 *fourth year thereafter, the council shall adopt a Statewide*
5 *Greenhouse Gas Emission Reduction Plan, based on plan*
6 *elements or plan element updates that the council has reviewed,*
7 *to meet the statewide greenhouse gas emission limit adopted*
8 *pursuant to Part 5 (commencing with Section 38550). The*
9 *council shall submit the plan, and each updated plan, to the*
10 *Legislature and make it publicly available.*

11 *(d) The plan and updated plans adopted by the council shall,*
12 *to the extent feasible, do all the following:*

13 *(1) Achieve maximum reductions in the emission of*
14 *greenhouse gases.*

15 *(2) Maximize the total benefit to the economy.*

16 *(3) Not disproportionately impact low-income communities.*

17 *(4) Provide compliance flexibility where appropriate.*

18 *(5) Ensure that entities that have voluntarily reduced their*
19 *emissions of greenhouse gases and reported with the Climate*
20 *Action Registry, receive appropriate credit for emissions*
21 *reductions made prior to the implementation of this program.*

22 *(6) Minimize the administrative burden of implementing and*
23 *complying with the program.*

24 *(7) Minimize leakage.*

25 *38537. (a) After the council adopts or updates the statewide*
26 *greenhouse gas emission reduction plan, each state body shall*
27 *adopt and implement the measures specified in the plan or plan*
28 *update for that state body.*

29 *(b) The state body shall report annually to the council on the*
30 *progress of its plan elements.*

31

32 **PART 4. MANDATORY GREENHOUSE GAS EMISSIONS**
33 **REPORTING**

34

35 *38540. (a) On or before January 1, 2008, the state board*
36 *shall adopt, and periodically update, regulations to establish a*
37 *program to require the reporting and verification of statewide*
38 *greenhouse gas emissions and to monitor and enforce*
39 *compliance with this program.*

40 *(b) The regulations shall do all of the following:*

1 (1) Require the monitoring and annual reporting of
2 greenhouse gas emissions from significant greenhouse gas
3 sources beginning with the sources or categories of sources that
4 contribute the most to statewide emissions.

5 (2) Account for all electricity consumed in the state, including
6 transmission and distribution line losses from electricity
7 generated within the state or imported from outside the state.

8 (3) Where appropriate and to the maximum extent feasible,
9 incorporate the standards and protocols developed by the
10 California Climate Action Registry, established pursuant to
11 Chapter 6 (commencing with Section 42800) of Part 4 of
12 Division 26. Entities that voluntarily participated in the
13 California Climate Action Registry prior to December 31, 2006,
14 and have developed a greenhouse gas emission reporting
15 program, shall not be required to significantly alter their
16 reporting or verification program except as necessary to ensure
17 that reporting is complete and verifiable for the purposes of
18 compliance with this act as determined by the state board.

19 (4) Ensure rigorous and consistent accounting of emissions,
20 and provide reporting tools and formats to ensure collection of
21 necessary data.

22 (5) Ensure that significant greenhouse gas emission sources
23 maintain comprehensive records of all reported greenhouse gas
24 emissions.

25 (c) The state board shall do both of the following:

26 (1) Periodically review and update its emission reporting
27 requirements, as necessary, to reflect new technologies or
28 methodologies.

29 (2) Review existing and proposed international, federal, and
30 state greenhouse gas emission reporting programs and make
31 reasonable efforts to promote consistency among the programs
32 established pursuant to this part and other programs, and to
33 streamline reporting requirements on greenhouse gas emission
34 sources.

35 38542. The state board may, on or after July 1, 2007, and
36 after one or more public workshops, adopt a schedule of fees to
37 be paid by the sources of greenhouse gas emissions regulated by
38 the state board under this part. The revenues collected from the
39 imposition of these fees shall be deposited into the Air Pollution
40 Control Fund, upon appropriation, shall be used solely to cover

1 *the actual costs of the monitoring and reporting programs*
2 *established pursuant to this part, and shall not be expended for*
3 *any other purpose.*

4
5 **PART 5. GREENHOUSE GAS EMISSIONS LIMITS**
6

7 38550. *By January 1, 2008, the state board, in consultation*
8 *with the council, shall determine what the statewide emissions*
9 *levels were in 1990, and approve in a public hearing, a statewide*
10 *emissions limit that is equivalent to that level, to be achieved by*
11 *2020. In order to ensure the most accurate determination*
12 *feasible, the state board shall evaluate the best available*
13 *scientific and economic information on greenhouse gas emissions*
14 *to determine the 1990 level of greenhouse gas emissions.*

15 38551. (a) *By January 1, 2010, the state board shall*
16 *establish a series of enforceable interim emissions limits*
17 *applicable to sources or categories of sources, or both, to*
18 *become operative beginning on January 1, 2012, that*
19 *progressively reduce emissions levels of greenhouse gases, to*
20 *contribute to meeting the 2020 limit. In determining which*
21 *sources and categories of sources will be subject to the interim*
22 *emissions limits, the state board shall consider factors for each*
23 *source or category of sources including, but not limited to, all the*
24 *following:*

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

26 (2) *The effectiveness of existing emissions reduction measures*
27 *in reducing greenhouse gas emissions.*

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

30 (4) *Provide equitable treatment of sources and categories of*
31 *sources.*

32 (b) *The state board shall evaluate the best available economic*
33 *and scientific information and existing and projected*
34 *technological capabilities for the purpose of adopting these*
35 *regulations.*

36 38552. *On or before January 1, 2015, the state board shall*
37 *adopt regulations that establish a statewide emissions limit, to*
38 *become effective on January 1, 2030, including a scheduled*
39 *series of limits that will progressively reduce emissions of*
40 *greenhouse gases from the 2020 emissions limit to the 2030 limit.*

1 *The state board shall evaluate the best available economic and*
2 *scientific information and existing and projected technological*
3 *capabilities.*

4

5 **PART 6. GREENHOUSE GAS EMISSIONS MEASURES**

6

7 38560. *On and after January 1, 2009, the state board shall*
8 *adopt greenhouse gas emissions reduction measures by*
9 *regulation in order to achieve the maximum feasible reductions*
10 *in greenhouse gas emissions to meet the statewide emissions limit*
11 *adopted by the state board. In adopting emissions reduction*
12 *measures, the state board shall to the maximum extent feasible*
13 *do all of the following:*

14 (a) *Design emissions reduction measures, including*
15 *distribution of emissions allowances where appropriate, in a*
16 *manner that is equitable, seeks to minimize costs and maximize*
17 *the total benefits to California, and encourages early action to*
18 *reduce greenhouse gas emissions.*

19 (b) *Ensure that emissions reduction strategies do not*
20 *disproportionately impact low-income communities.*

21 (c) *Ensure that entities that have voluntarily reduced their*
22 *greenhouse gas emissions prior to the implementation of this*
23 *section receive appropriate credit for early voluntary reductions.*

24 (d) *Ensure that the implementation of this section*
25 *complements and does not interfere with efforts to achieve and*
26 *maintain federal and state health based ambient air quality*
27 *standards and to address toxic air contaminant emissions.*

28 (e) *Ensure that emission reduction measures offer*
29 *opportunities for schools, small businesses, affordable housing,*
30 *and community institutions that provide community and public*
31 *benefit to low-income and moderate-income communities to*
32 *participate in and benefit from reducing greenhouse gas*
33 *emissions.*

34 (f) *Evaluate the long-term cost-effectiveness of emissions*
35 *reduction measures.*

36 (g) *Evaluate the societal benefits of emissions reduction*
37 *measures, including reductions in other air pollutants,*
38 *diversification of energy sources, and other benefits to the*
39 *economy, environment, and public health.*

1 (h) Minimize the administrative burden of implementing and
2 complying with the emissions reduction measures.

3 (i) Design emissions reduction measures in a manner that
4 minimizes leakage of greenhouse gas emissions.

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

12
13 PART 7. MARKET AND ALTERNATIVE COMPLIANCE
14 MECHANISMS

15
16 38570. (a) The state board shall provide for alternative
17 compliance mechanisms, as appropriate.

18 (b) In order to reach the greenhouse gas emissions limit
19 required by this division, the state board may adopt multisector
20 market-based mechanisms as described in this part.

21 (c) (1) The state board shall evaluate and make
22 recommendations to the council on multisector market-based
23 mechanisms that could be used to achieve greenhouse gas
24 emission reductions under this division.

25 (2) The state board's evaluation shall consider the potential
26 for direct, indirect, and cumulative emission impacts from these
27 mechanisms, including localized impacts in communities that are
28 already disproportionately impacted by air pollution.

29 (3) The state board's recommendations shall address overall
30 design, major programmatic components, and other
31 environmental and economic safeguards to be included in any
32 market-based mechanisms.

33 (d) Only regulated entities subject to emission limits and
34 mandatory emission reporting requirements may use multisector
35 market based mechanisms except as provided in subdivision (e).

36 (e) The state board shall develop and approve protocols for
37 verifying individual greenhouse gas emission reduction projects
38 by nonregulated entities that will be credited to regulated entities
39 to fully or partially comply with any emission limitations
40 established by the state board. The protocols shall ensure that

1 *these reductions are real, permanent, quantifiable, verifiable,*
2 *enforceable, and do not duplicate any other greenhouse gas*
3 *reductions required by statute, regulation, or relied upon in an*
4 *approved statewide greenhouse gas emission reduction plan.*

5 *(f) The council shall evaluate and approve market mechanisms*
6 *recommended by the state board before they can be used for the*
7 *purposes of this division. The state board shall establish*
8 *regulations governing the use of any market mechanism*
9 *approved by the council.*

10 *(g) The regulations adopted pursuant to this section may not*
11 *take effect prior to one calendar year from their final adoption,*
12 *in order to give the Legislature time to review the regulations*
13 *and determine whether further legislation should be enacted*
14 *prior to the effective date of the regulations.*

15

16

PART 8. ENFORCEMENT

17

18 38580. *(a) The state board shall monitor compliance with*
19 *and enforce any rule, regulation, order, emission limitation,*
20 *emissions reduction measure, or market mechanism adopted by*
21 *the state board pursuant to this division.*

22 *(b) (1) Any violation of any rule, regulation, order, emission*
23 *limitation, or other emissions reduction measure adopted by the*
24 *state board pursuant to this division may be enjoined pursuant to*
25 *Section 41513, and the violation is subject to those penalties set*
26 *forth in Article 3 (commencing with Section 42400) of Chapter 4*
27 *of Part 4 of, and Chapter 1.5 (commencing with Section 43025)*
28 *of Part 5 of, Division 26.*

29 *(2) Any violation of any rule, regulation, order, emission*
30 *limitation, or other emissions reduction measure adopted by the*
31 *state board pursuant to this division shall be deemed to result in*
32 *an emission of an air contaminant for the purposes of the penalty*
33 *provisions of Article 3 (commencing with Section 42400) of*
34 *Chapter 4 of Part 4 of, and Chapter 1.5 (commencing with*
35 *Section 43025) of Part 5 of, Division 26.*

36 *(3) The state board may develop a method to convert a*
37 *violation of any rule, regulation, order, emission limitation, or*
38 *other emissions reduction measure adopted by the state board*
39 *pursuant to this division into the number of days in violation,*
40 *where appropriate, for the purposes of the penalty provisions of*

1 Article 3 (commencing with Section 42400) of Chapter 4 of Part
2 4 of, and Chapter 1.5 (commencing with Section 43025) of Part 5
3 of, Division 26.

4 (c) Section 42407 and subdivision (i) of Section 42410 shall
5 not apply to this part.

6 38582. (a) In the event of extraordinary circumstances,
7 catastrophic events, or the threat of extreme economic disruption
8 that pose an imminent and substantial threat to the state's
9 population, environment, public health, or economy, the
10 Governor may adjust the required greenhouse gas reduction
11 deadlines upon a recommendation approved by a two-thirds vote
12 of all of the voting members of the council made in a noticed
13 public meeting.

14 (b) The adjustment period may not exceed one year or the
15 period of the emergency, whichever is shorter, unless the council
16 makes a further recommendation for an additional adjustment.

17 (c) Nothing in this section affects the powers and duties
18 established in the California Emergency Services Act (Chapter 7
19 (commencing with Section 8550) of Division 1 of Title 2 of the
20 Government Code).

21 (d) The Governor shall, within 10 days of invoking subdivision
22 (a), provide written notification to the Legislature of the action
23 undertaken and the extraordinary circumstances caused by
24 greenhouse gas emission reduction activities justifying the
25 action.

26

27 **PART 9. MISCELLANEOUS PROVISIONS**

28

29 38590. If the regulations adopted pursuant to Section
30 43018.5 do not remain in effect, the state board shall implement
31 alternative regulations to control mobile sources of greenhouse
32 gas emissions to achieve equivalent or greater reductions.

33 38591. By January 1, 2008, the state board shall hold a
34 publicly noticed hearing and report to the Legislature on
35 additional substances, contaminants, and particles suspected to
36 cause or contribute to climate change, including, but not limited
37 to, tropospheric ozone and ozone precursors, carbon monoxide,
38 chlorofluorocarbons, and their substitutes, including
39 recommendations based on its findings.

1 38592. (a) All state agencies shall consider and implement
2 strategies to reduce greenhouse gas emissions.

3 (b) Nothing in this division 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 38593. (a) Nothing in this division affects the authority of the
8 Public Utilities Commission.

9 (b) Nothing in this division affects the obligation of an
10 electrical corporation to provide customers with safe and
11 reliable electric service.

12 38594. Nothing in this division shall limit or expand the
13 existing authority of any district, as defined in Section 39025.

14 38595. Nothing in this division shall preclude, prohibit, or
15 restrict the construction of any new facility or the expansion of
16 an existing facility subject to regulation under this division, if all
17 applicable permitting requirements are met and the facility is in
18 compliance with regulations adopted pursuant to this division.

19 38596. The provisions of this division are severable. If any
20 provision of this division or its application is held invalid, that
21 invalidity shall not affect other provisions or applications that
22 can be given effect without the invalid provision or application.

23 38597. (a) Notwithstanding any other provision of law, the
24 state board succeeds to, and is vested with, all the duties, powers,
25 purposes, responsibilities, and jurisdiction of the State Energy
26 Resources Conservation and Development Commission to
27 prepare or update any inventory of greenhouse gas emissions
28 from sources located in the state.

29 (b) The state board, in consultation with the State Energy
30 Resources Conservation and Development Commission, the
31 Public Utilities Commission, the Department of Forestry and
32 Fire Protection, the Department of Transportation, the State
33 Water Resources Control Board, the California Integrated Waste
34 Management Board, and other state agencies with jurisdiction
35 over matters affecting climate change, shall do both of the
36 following:

37 (1) Acquire and develop data and information on global
38 climate change, and provide state, regional, and local agencies,
39 utilities, business, industry, and other energy and economic
40 sectors with information on the costs, technical feasibility, and

1 *demonstrated effectiveness of methods for reducing or mitigating*
2 *the production of greenhouse gases from in-state sources,*
3 *including net reductions through the management of natural*
4 *forest reservoirs.*

5 (2) *Update its inventory of emissions of greenhouse gases*
6 *sufficient to enable the state board to maintain a reasonably*
7 *comprehensive inventory of the state’s emissions of greenhouse*
8 *gases. The inventory shall include information on the greenhouse*
9 *gas emissions associated with petroleum products consumed in*
10 *California based on and including, but not limited to, data*
11 *collected pursuant to the Petroleum Industry Information*
12 *Reporting Act of 1980 (Chapter 4.5 (commencing with Section*
13 *25350) of Division 15 of the Public Resources Code).*

14 *SEC. 2. Section 39003 of the Health and Safety Code is*
15 *amended to read:*

16 39003. The State Air Resources Board is the state agency
17 charged with coordinating efforts to attain and maintain ambient
18 air quality standards, to conduct research into the causes of and
19 solution to air pollution, *to monitor and regulate the sources of*
20 *emissions of greenhouse gases that cause global warming in*
21 *order to reduce emissions of those greenhouse gases, and to*
22 *systematically attack the serious problem caused by motor*
23 *vehicles, which is the major source of air pollution in many areas*
24 *of the state.*

25 *SEC. 3. Section 25730 of the Public Resources Code is*
26 *repealed.*

27 ~~25730. The commission, in consultation with the State Air~~
28 ~~Resources Board, the Department of Forestry and Fire~~
29 ~~Protection, the Department of Transportation, the State Water~~
30 ~~Resources Control Board, the California Integrated Waste~~
31 ~~Management Board, and other state agencies with jurisdiction~~
32 ~~over matters affecting climate change, shall do all of the~~
33 ~~following:~~

34 (a) ~~On or before January 1, 2002, update the inventory of~~
35 ~~greenhouse gas emissions from all sources located in the state, as~~
36 ~~identified in the commission’s 1998 report entitled, “Appendix~~
37 ~~A: Historical and Forecasted Greenhouse Gas Emissions~~
38 ~~Inventories for California.” Information on natural sources of~~
39 ~~greenhouse gas emissions shall be included to the extent that~~
40 ~~information is available. The inventory shall include information~~

1 that compares emissions from similar inventories prepared for
2 the United States and other states or countries, and shall include
3 information on relevant current and previous energy and air
4 quality policies, activities, and greenhouse gas emissions
5 reductions and trends since 1990, to the extent that information is
6 available.

7 (b) Acquire and develop data and information on global
8 climate change, and provide state, regional, and local agencies,
9 utilities, business, industry, and other energy and economic
10 sectors with information on the costs, technical feasibility, and
11 demonstrated effectiveness of methods for reducing or mitigating
12 the production of greenhouse gases from in-state sources,
13 including net reductions through the management of natural
14 forest reservoirs. The commission, in consultation with the State
15 Air Resources Board, shall provide a variety of forums for the
16 exchange of that information among interested parties, and shall
17 provide other state agencies with information on cost-effective
18 and technologically feasible methods that can be used to reduce
19 or mitigate the emissions of greenhouse gases.

20 (c) Update its inventory every five years using current
21 scientific methods, and report on the updated inventory to the
22 Governor and the Legislature.

23 (d) Conduct at least one public workshop prior to finalizing
24 each updated inventory. The commission shall post its report and
25 inventory on the commission's web page on the Internet.

26 (e) Convene an interagency task force consisting of state
27 agencies with jurisdiction over matters affecting climate change
28 to ensure policy coordination at the state level for those activities.

29 (f) Establish a climate change advisory committee, to the
30 extent that the commission determines that it can do so within
31 existing resources. This advisory committee shall make
32 recommendations to the commission on the most equitable and
33 efficient ways to implement international and national climate
34 change requirements based on cost, technical feasibility, and
35 relevant information on current energy and air quality policies
36 and activities and on greenhouse gas emissions reductions and
37 trends since 1990. The commission shall designate one of its
38 commissioners as chair, and shall include on the advisory
39 committee members who represent business, including major
40 industrial and energy sectors, utilities, forestry, agriculture, local

1 government, and environmental groups. The meetings of the
2 advisory committee shall be open to the public, and shall provide
3 an opportunity for the public to be heard on matters considered
4 by the advisory committee.

5 SECTION 1. Section 39003 of the Health and Safety Code is
6 amended to read:

7 39003. The State Air Resources Board is the state agency
8 charged with coordinating efforts to attain and maintain ambient
9 air quality standards, to conduct research into the causes of and
10 solution to air pollution, to monitor and regulate the sources and
11 reduce emissions of gases that cause global warming, and to
12 systematically attack the serious problem caused by motor
13 vehicles, which is the major source of air pollution in many areas
14 of the state.

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

18
19 CHAPTER 7. CALIFORNIA GLOBAL WARMING SOLUTIONS ACT
20 OF 2006
21

22 42875. This chapter shall be known, and may be cited, as the
23 California Global Warming Solutions Act of 2006.

24 42875.5. The Legislature finds and declares all of the
25 following:

26 (a) Global warming poses a serious threat to California's
27 economic well-being, public health, and environment. The
28 potential adverse consequences include the degradation of air
29 quality, the loss of mountain snowpack leading to serious water
30 supply problems and risk of catastrophic flooding, rising sea
31 levels displacing thousands of coastal businesses and residences,
32 and severe damage to California's marine ecosystems and the
33 natural environment.

34 (b) Global warming will directly affect some of California's
35 largest industries, including agriculture, wine, tourism, skiing,
36 recreational and commercial fishing, and forestry.

37 (c) Global warming will increase the strain on electricity
38 supplies necessary to meet demand for summer air-conditioning
39 in the hottest parts of the state.

1 ~~(d) California has a strong record of leadership on~~
2 ~~environmental issues, including enacting some of the nation's~~
3 ~~first air quality protections, energy efficiency requirements,~~
4 ~~renewable energy standards, and landmark greenhouse gas~~
5 ~~emission standards for passenger vehicles.~~

6 ~~(e) California's leadership and actions to reduce global~~
7 ~~warming will have a significant impact by encouraging other~~
8 ~~states, the federal government, and other countries to act, all of~~
9 ~~which will be necessary to fully address this issue. In addition, by~~
10 ~~exercising early leadership, California will position its economy,~~
11 ~~technology centers, and businesses to benefit from national and~~
12 ~~international efforts to reduce greenhouse gas emissions now and~~
13 ~~in the future.~~

14 ~~42876. For the purposes of this chapter, the following terms~~
15 ~~have the following meanings:~~

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

18 ~~(b) "Carbon dioxide equivalence" means the amount of carbon~~
19 ~~dioxide by weight that would produce the same global warming~~
20 ~~impact as a given weight of another greenhouse gas, based on the~~
21 ~~most recent information available from the Intergovernmental~~
22 ~~Panel on Climate Change.~~

23 ~~(c) "Cost-effectiveness" means the cost per unit of reduced~~
24 ~~emissions of greenhouse gases from a particular source or~~
25 ~~category of sources resulting from an emissions reduction~~
26 ~~strategy compared to the cost of reduced emissions resulting~~
27 ~~from other emissions reduction strategies for the same source or~~
28 ~~categories of sources.~~

29 ~~(d) "Displacement" means a reduction in greenhouse gas~~
30 ~~emissions within the state that is offset by an increase in~~
31 ~~greenhouse gas emissions outside the state.~~

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

36 ~~(f) "Flexible compliance mechanisms" means mechanisms,~~
37 ~~including banking, borrowing, and market mechanisms, that~~
38 ~~provide compliance flexibility to entities that are required to~~
39 ~~ensure that their greenhouse gas emissions do not exceed their~~
40 ~~emissions allowances.~~

1 ~~(g) “Greenhouse gases” or “greenhouse gas” means~~
2 ~~“greenhouse gases” as defined in Section 42801.1.~~

3 ~~(h) “Interim emissions limit” means a maximum annual~~
4 ~~allowable level of greenhouse gas emissions established by the~~
5 ~~state board for sources or categories of sources.~~

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

12 ~~(j) “Statewide emissions” means the total annual emissions of~~
13 ~~greenhouse gases from all sources in the state, including all~~
14 ~~emissions of greenhouse gases from the generation of electricity~~
15 ~~delivered and consumed in California, accounting for~~
16 ~~transmission and distribution line losses, whether the electricity~~
17 ~~is generated in-state or imported. Statewide emissions shall be~~
18 ~~expressed in tons of carbon dioxide equivalence.~~

19 ~~(k) “Statewide emissions limit” means a maximum annual~~
20 ~~allowable level of statewide emissions.~~

21 ~~42876.5. All state agencies shall consider and implement~~
22 ~~strategies to reduce greenhouse gas emissions. It is the intent of~~
23 ~~the Legislature that the state board cooperate with other state~~
24 ~~agencies to achieve the statewide emissions limits created~~
25 ~~pursuant to Section 42878 and account for projected reductions~~
26 ~~in greenhouse gas emissions from state agency programs not~~
27 ~~subject to this chapter.~~

28 ~~42877. (a) On or before January 1, 2008, the state board shall~~
29 ~~adopt regulations establishing a program to require the reporting~~
30 ~~and verification of statewide greenhouse gas emissions and to~~
31 ~~monitor and enforce compliance.~~

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

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

3 ~~(d) The regulations shall, where appropriate and feasible,~~
4 ~~incorporate the standards and protocols developed by the~~
5 ~~California Climate Action Registry, established pursuant to~~
6 ~~Chapter 6 (commencing with Section 42800). Entities that~~
7 ~~voluntarily participated in the California Climate Action Registry~~
8 ~~prior to December 31, 2006, and have a fully developed reporting~~
9 ~~program, shall not be required to significantly alter their~~
10 ~~reporting or verification program except as necessary to ensure~~
11 ~~that reporting is complete and verifiable for the purposes of state~~
12 ~~regulation and tracking of greenhouse gas emissions.~~

13 ~~42877.5. If the federal government enacts a law limiting~~
14 ~~greenhouse gas emissions that the state board determines is of~~
15 ~~equivalent or greater effectiveness in achieving the statewide~~
16 ~~emissions limits and timeframes established pursuant to this~~
17 ~~chapter, the state board may modify or elect not to adopt~~
18 ~~emissions reduction strategies pursuant to this chapter for any~~
19 ~~greenhouse gas or source included in the federal law.~~

20 ~~42878. (a) (1) It is the intent of the Legislature that the state~~
21 ~~board design emissions reduction strategies to meet the statewide~~
22 ~~emissions limits established pursuant to this section in a manner~~
23 ~~that minimizes costs and maximizes benefits for California's~~
24 ~~economy, improves and modernizes California's energy~~
25 ~~infrastructure, maximizes additional environmental and~~
26 ~~economic cobenefits for California, and complements state~~
27 ~~efforts to improve air quality.~~

28 ~~(2) (A) The state board shall consult broadly with~~
29 ~~stakeholders in developing regulations to meet the purposes of~~
30 ~~this chapter and to meet the statewide emissions limits in a~~
31 ~~beneficial and cost-effective manner.~~

32 ~~(B) By March 1, 2007, the state board shall convene a~~
33 ~~stakeholder process to inform the development of regulations and~~
34 ~~programs to reduce greenhouse gases in California. The state~~
35 ~~board shall solicit information and input from regulated entities~~
36 ~~on the most efficient, low-cost, and beneficial ways they can~~
37 ~~reduce their greenhouse gas emissions, identify regulatory and~~
38 ~~legal barriers to implementing emissions reduction strategies,~~
39 ~~evaluate state investment strategies in research and development~~
40 ~~and applied technologies, and work with regulated entities to~~

1 ~~develop draft plans that may be used in conjunction with~~
2 ~~regulatory process to reduce greenhouse gas emissions. The~~
3 ~~purpose of these plans shall be to reduce regulatory costs and~~
4 ~~obligations, where feasible, in achieving greenhouse gas~~
5 ~~reductions called for in this chapter.~~

6 ~~(3) It is the intent of the Legislature that the state board~~
7 ~~coordinate and consult with other state agencies that regulate~~
8 ~~significant emitters of greenhouse gases. It is the further intent of~~
9 ~~the Legislature that the Public Utilities Commission and the state~~
10 ~~board cooperate in the development of emissions reduction~~
11 ~~strategies, including limits on greenhouse gas emissions applied~~
12 ~~to electricity and natural gas providers regulated by the Public~~
13 ~~Utilities Commission in order to ensure that electricity and~~
14 ~~natural gas providers are not required to meet duplicative or~~
15 ~~inconsistent requirements, and to ensure that consistent~~
16 ~~requirements are met.~~

17 ~~(b) On or before January 1, 2008, the state board shall~~
18 ~~determine what the statewide greenhouse gas emissions levels~~
19 ~~were in 1990, and adopt a statewide emissions limit that is~~
20 ~~equivalent to that level to become effective in 2020. The state~~
21 ~~board shall evaluate the best available scientific and economic~~
22 ~~information on greenhouse gas emissions to determine the 1990~~
23 ~~level.~~

24 ~~(c) The state board shall establish an advisory committee~~
25 ~~consisting of three representatives from communities in the state~~
26 ~~with the most significant exposure to air contaminants or~~
27 ~~localized air contaminants, or both, including, but not limited to,~~
28 ~~communities with minority populations or low-income~~
29 ~~populations, or both. The Governor, the President pro Tempore~~
30 ~~of the Senate, and the Speaker of the Assembly shall each~~
31 ~~appoint one of the members of the committee. This committee~~
32 ~~shall make recommendations to the state board during the public~~
33 ~~process to develop and adopt emissions reduction strategies.~~

34 ~~(d) Beginning January 1, 2009, the state board shall adopt~~
35 ~~greenhouse gas emissions reduction strategies by regulation. In~~
36 ~~adopting emissions reduction strategies, the state board shall do~~
37 ~~all of the following:~~

38 ~~(1) Design emissions reduction strategies, including~~
39 ~~distribution of emissions allowances where appropriate, in a~~
40 ~~manner that is equitable, seeks to minimize costs and maximize~~

1 the total benefits to California, and encourages early action to
2 reduce greenhouse gas emissions.

3 (2) Ensure that emissions reduction strategies do not
4 disproportionately burden low- and moderate-income
5 households.

6 (3) (A) Consider providing flexible compliance mechanisms,
7 including providing for conditions on flexible compliance
8 mechanisms, based on recommendations from the stakeholder
9 process pursuant to subparagraph (B) or based on the report
10 pursuant to subparagraph (C). The state board shall ensure that
11 the flexible compliance mechanisms, in conjunction with the
12 other emissions reduction strategies adopted by the state board,
13 achieve, at a minimum, the emissions reductions required by this
14 chapter.

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

27 (C) Prior to considering flexible compliance mechanisms
28 pursuant to this chapter, the state board shall evaluate and report
29 to the Legislature the types, need, and costs and benefits of these
30 mechanisms with the purpose of identifying which mechanisms
31 would be most beneficial in achieving reductions in greenhouse
32 gases. The report shall recommend which mechanisms should be
33 considered in regulations to reduce greenhouse gases, and should
34 prioritize and recommend conditions for mechanisms to protect
35 air quality, the environment, and public health, and reduce the
36 costs of implementation. The state board shall work with the
37 stakeholder community and other appropriate parties and state
38 agencies in this study.

39 (4) Ensure that entities that have voluntarily reduced their
40 greenhouse gas emissions prior to the implementation of this

1 section receive appropriate consideration for early voluntary
2 reductions:

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

7 (6) Evaluate the long-term cost-effectiveness of emissions
8 reduction strategies.

9 (7) Evaluate the societal benefits of emissions reduction
10 strategies, including reductions in other air pollutants,
11 diversification of energy sources, and other benefits to the
12 economy, environment, and public health.

13 (8) Minimize the administrative burden of implementing and
14 complying with the emissions reduction strategies.

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

17 (10) Where feasible, coordinate with other states, the federal
18 government, and other countries in the design and
19 implementation of emissions reduction strategies in order to
20 minimize displacement of greenhouse gas emissions, maximize
21 the effectiveness of California's program, and facilitate the
22 development of effective regional, national, and global programs
23 for reducing emissions of greenhouse gasses.

24 (e) On or before January 1, 2010, the state board shall
25 establish a series of enforceable interim emissions limits
26 applicable to sources or categories of sources, or both, to become
27 effective beginning on January 1, 2012, that progressively reduce
28 emissions levels to contribute to meeting the 2020 limit. In
29 determining which sources and categories of sources will be
30 subject to the interim emissions limits, the state board shall
31 consider factors including, but not limited to, the following for
32 each source or category of sources:

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

34 (2) The effectiveness of existing emissions reduction strategies
35 in reducing greenhouse gas emissions.

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

38 (f) On or before January 1, 2015, the state board shall adopt
39 regulations that establish a statewide emissions limit, to become
40 effective on January 1, 2030, including a scheduled series of

1 limits that will progressively reduce emissions of greenhouse
2 gases from the 2020 emissions limit to the 2030 limit. The state
3 board shall evaluate the best available economic and scientific
4 information and existing and projected technological capabilities
5 for the purpose of adopting these regulations.

6 ~~42878.5. Any violation of any rule, regulation, order,~~
7 ~~emission limitation or other emissions reduction strategy adopted~~
8 ~~by the state board pursuant to Sections 42877 and 42878 shall be~~
9 ~~subject to the penalty provisions of Article 3 (commencing with~~
10 ~~Section 42400) of Chapter 4 of Part 4. The state board shall be~~
11 ~~responsible for enforcing these penalty provisions.~~

12 ~~42879. (a) Nothing in this chapter shall relieve any entity of~~
13 ~~compliance with state air and water quality requirements, or~~
14 ~~other requirements for protecting public health or the~~
15 ~~environment.~~

16 ~~(b) Nothing in this chapter shall limit or expand the existing~~
17 ~~authority of any district.~~

18 ~~(c) This chapter shall not be interpreted to preclude, prohibit,~~
19 ~~or restrict the construction of any new facility or the expansion of~~
20 ~~an existing facility subject to regulation under this chapter if all~~
21 ~~applicable permitting requirements are met and the facility is in~~
22 ~~compliance with regulations adopted pursuant to this chapter.~~

23 ~~42880. No later than January 1, 2008, the state board shall~~
24 ~~complete a study to identify additional substances, contaminants,~~
25 ~~and particles suspected to cause or contribute to climate change,~~
26 ~~including, but not limited to, tropospheric ozone and ozone~~
27 ~~precursors, carbon monoxide, chlorofluorocarbons, and their~~
28 ~~substitutes.~~

29 ~~42880.5. If the regulations adopted pursuant to Section~~
30 ~~43018.5 do not remain in effect, the state board shall implement~~
31 ~~alternative regulations to control mobile sources of greenhouse~~
32 ~~gas emissions to achieve equivalent or greater reductions.~~

33 ~~42880.7. (a) The state board may provide information and~~
34 ~~assistance to cities, counties, and local agencies to help reduce~~
35 ~~greenhouse gas emissions in their jurisdictions.~~

36 ~~(b) It is the intent of the Legislature that the state board consult~~
37 ~~with the districts in the development of measures for the~~
38 ~~reduction of emissions of greenhouse gases that will affect~~
39 ~~emissions of criteria air pollutants from stationary sources.~~

1 ~~42881. On or before January 1, 2009, and annually thereafter,~~
2 ~~the state board, in consultation with the task force established~~
3 ~~pursuant to Section 42883, shall report to the Legislature on the~~
4 ~~current level of emissions of greenhouse gases and progress~~
5 ~~made toward compliance with the statewide emissions limits on~~
6 ~~greenhouse gases established by the state board. The report shall~~
7 ~~include an inventory of current emissions of greenhouse gases~~
8 ~~and shall evaluate the adequacy of the regulations adopted to~~
9 ~~meet the emissions limits of this chapter.~~

10 ~~42883. (a) The Governor shall establish an interagency task~~
11 ~~force, to be convened by the Secretary for Environmental~~
12 ~~Protection which shall consist of the following:~~

13 ~~(1) The Secretary of the Resources Agency or his or her~~
14 ~~designee.~~

15 ~~(2) The Secretary of the Business, Transportation and Housing~~
16 ~~Agency or his or her designee.~~

17 ~~(3) The Secretary of the State and Consumer Services Agency~~
18 ~~or his or her designee.~~

19 ~~(4) The President of the Public Utilities Commission or his or~~
20 ~~her designee.~~

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

22 ~~(6) The Chairperson of the State Energy Resources~~
23 ~~Conservation and Development Commission or his or her~~
24 ~~designee.~~

25 ~~(7) Representatives of other state agencies or departments that~~
26 ~~the Governor determines have an important role in reducing~~
27 ~~emissions of greenhouse gases.~~

28 ~~(b) The interagency task force shall establish an advisory~~
29 ~~committee consisting of stakeholders including representatives~~
30 ~~from industry groups, environmental and environmental justice~~
31 ~~groups, experts, and others, to inform its activities.~~

32 ~~(c) The interagency task force, to the extent feasible, shall do~~
33 ~~all of the following:~~

34 ~~(1) Coordinate state investments and programs that reduce~~
35 ~~emissions of greenhouse gases.~~

36 ~~(2) Promote economic growth by encouraging California~~
37 ~~industries to develop and deploy technologies and processes that~~
38 ~~reduce greenhouse gas emissions for use both in California and~~
39 ~~for export.~~

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

4 ~~(4) Ensure that existing state programs support the emissions~~
5 ~~limits on greenhouse gases established by the state board~~
6 ~~pursuant to this chapter.~~

7 ~~(5) Monitor conditions and coordinate planning and the state's~~
8 ~~response to changing climate conditions as they impact state~~
9 ~~water supplies, air quality, environmental and public health~~
10 ~~conditions, and the state's economy.~~

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

16 ~~SEC. 3. Section 25730 of the Public Resources Code is~~
17 ~~amended to read:~~

18 ~~25730. The commission, in consultation with the State Air~~
19 ~~Resources Board, the Department of Forestry and Fire~~
20 ~~Protection, the Department of Transportation, the State Water~~
21 ~~Resources Control Board, the California Integrated Waste~~
22 ~~Management Board, and other state agencies with jurisdiction~~
23 ~~over matters affecting climate change, shall do both of the~~
24 ~~following:~~

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

38 ~~(b) Update its inventory of emissions of greenhouse gases in~~
39 ~~order to supplement the information collected by the State Air~~
40 ~~Resources Board pursuant to Section 42877 of the Health and~~

1 ~~Safety Code, and to enable the State Air Resources Board to~~
2 ~~maintain a reasonably comprehensive inventory of the state's~~
3 ~~emissions of greenhouse gases. The inventory shall include~~
4 ~~information on the greenhouse gas emissions associated with~~
5 ~~petroleum products consumed in California based on, and~~
6 ~~including, but not limited to, data collected pursuant to the~~
7 ~~Petroleum Industry Information Reporting Act of 1980 (Chapter~~
8 ~~4.5 (commencing with Section 25350) of Division 15).~~

9 SEC. 4. No reimbursement is required by this act pursuant to
10 Section 6 of Article XIII B of the California Constitution because
11 the only costs that may be incurred by a local agency or school
12 district will be incurred because this act creates a new crime or
13 infraction, eliminates a crime or infraction, or changes the
14 penalty for a crime or infraction, within the meaning of Section
15 17556 of the Government Code, or changes the definition of a
16 crime within the meaning of Section 6 of Article XIII B of the
17 California Constitution.

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