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## MEMORANDUM

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To: ESJPA Board of Directors  
From: Staci Heaton, Director of Regulatory Affairs  
Date: March 12, 2007  
Re: Update on Implementation of the California Global Warming Solutions Act of 2006  
(AB 32)

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### Summary

In September, Governor Schwarzenegger signed into law Assembly Bill 32 (Nunez and Pavley), the California Global Warming Solutions Act, which establishes a comprehensive regulatory and market-based program to reduce statewide emissions of greenhouse gases (GHG). State regulatory agencies have begun conducting meetings to coordinate the implementation of the bill with the goal of enforcing emission limits and all reduction measure regulations by January 1, 2012.

### Background

Governor Schwarzenegger signed AB 32 into law in September 2006 as a comprehensive program to further the Governor's GHG emissions reduction goals. Due to transportation's large contribution to GHG emissions, the bill designates the California Air Resources Board (ARB) as the primary agency responsible for implementing the program and the 2007 Budget includes \$24.4 million and 100 new positions in ARB to implement AB 32 requirements. The ARB is charged with monitoring and regulating sources of greenhouse gas emissions. The bill also authorizes, but does not require, the ARB to adopt market-based compliance mechanisms and a schedule of fees to be paid by regulated sources of GHG emissions.

AB 32 establishes various deadlines in the multifaceted program. The bill requires the California Energy Commission (CEC) to transfer the GHG emission inventory to ARB beginning January 1, 2007. The ARB is then required to publish a list of "discrete early action GHG emission reduction measures" by July 1, 2007 to be adopted and implemented no later than January 1, 2010. Next, the ARB must complete two actions by January 1, 2008. The first is to develop a regulation that establishes the 1990 greenhouse gas emissions level and sets that level as an emissions limit to be achieved by 2020. The second is to develop a regulation to mandate the reporting and verification of statewide greenhouse gas emissions.

The bill also requires the agency to develop a scoping plan of the long term reduction strategies to achieve the maximum technologically feasible and cost-effective reductions in greenhouse gas emissions by January 1, 2009 and to adopt the individual measures by January 1, 2011 for implementation by January 1, 2012.

Update

State Agency Activities. The ARB and CalEPA conducted several meetings in February and March to begin public discussions on how to meet the requirements of the bill.

## Market-Based Incentives Program

The Market Advisory Committee, members of which were appointed in December by CalEPA Secretary Linda Adams, met for the first time on February 27 to discuss their ideas for a market-based incentives program. The Committee will be submitting a report with its recommendations to the ARB in June 2007. While the meeting was a starting point for the Committee, one of more interesting discussions involved establishing a cap-and-trade program

Greenhouse Gas Emission Inventory Working Group  
Market Advisory Committee  
Monitoring and Reporting Workshop  
Economic and Technology Advancement Committee

The development of emission protocols is still in its infancy. Currently, the California Climate Action Registry (CCAR) is developing reporting protocols and accepting registrants on a voluntary basis. The ARB will be working closely with CCAR in the review of existing emission protocols, development of new emission protocols, and consultation on reporting issues. Organizations do not have to be part of the Climate Action Registry to be recognized for voluntary GHG reductions.

The Early Action Items must be adopted by ARB before staff can move forward with any long-term regulations or voluntary programs, so they are focusing their energy on their list at this time. Staff plans to present a preliminary list to their Board at the April meeting, and will make a draft list available to the public 30 days prior for comment. Only two items have definitely been identified as part of the EA items: the low carbon fuel standard and a high-GWP refrigerant restriction (used primarily in automobiles and sold in small aerosol cans). The refrigerant ban is an interesting concept, as it will have some effect on people who fix their own cars, which are primarily members of the lower-income population.

Forest Protocols. Carbon sequestration is a concept ARB is not very familiar with, but will be considering as part of the long-term scoping plan. The forest protocols recognize that trees sequester carbon as they grow and eventually release all the carbon stored during decay. The forest protocols recognize biological and non-biological emissions. Biological emissions result from both live and dead forest material, including forest soils. Non-biological emissions result from forest management operations. Forest materials (carbon stock) are inventoried at least once each decade. Increases in carbon stock provide a net gain, which could serve as the basis for sales in a market trade program. However, the uses of such data are beyond the scope of the Registry.

The Climate Action Registry's quantification approach is considered a stock change approach, that is, it is a physical measurement of the change in inventory. Management practices that increase the inventory over a ten year period may be accepted in the Registry.

Management practices acceptable to the Registry must be conservation based. Management practices must be additive to the emission reduction that would otherwise exist under current forest practice law. Currently, forest projects must be within three types: 1) Conservation-based management that employs natural forest management practices, 2) reforestation of lands void of tree cover for at least 10 years, or 3) conservation which prevents the conversion of native forests to non-forest uses. All forest projects must be secured with a conservation easement.

Many opportunities exist to influence the benefits of management for greenhouse gas emissions in further development of protocols for the Climate Action Registry and in particular, for the Air Resources Board. For example, protocols have not been developed yet that would provide credit for management that increases the longevity of forest vegetation, such as fire and insect risk reduction. Similarly, protocols do not yet provide credit to forest managers for decreasing the wood decay rate by harvesting dying trees and manufacturing the decaying wood into products of long durability.

#### STAFF RECOMMENDATION

RCRC staff will continue to monitor the AB 32 implementation process for regulations and programs affecting RCRC member counties and will report back to the Board on the state's progress.

AB 32, a schedule of upcoming workshops, and all related information can be found on ARB's website:

<http://www.arb.ca.gov/cc/cc.htm>

A complete list of Market Advisory Committee members can be viewed at CalEPA's website:

<http://www.calepa.ca.gov/PressRoom/Releases/2006/MACMPR30Bios.pdf>