



CHAIR – SUE HORNE, NEVADA COUNTY

FIRST VICE CHAIR – DAVID FINIGAN, DEL NORTE COUNTY

SECOND VICE CHAIR – HARRY OVITT, SAN LUIS OBISPO COUNTY

PAST CHAIR – RICHARD FORSTER, AMADOR COUNTY

PRESIDENT AND CEO – GREG NORTON

EXECUTIVE VICE PRESIDENT – PATRICIA J. MEGASON

VICE PRESIDENT OF HOUSING – JEANETTE KOPICO

To: ESJPA Board of Directors
From: Staci Heaton, Director of Regulatory Affairs
Date: May 7, 2007
Re: Update on Implementation of the California Global Warming Solutions Act of 2006
(AB 32)

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, and establishes various deadlines in a multifaceted program as detailed in the memo provided in the January 2007 RCRC Board of Directors meeting packet.

Update

Discrete Early Action Items

The ARB and Climate Action Team (CAT) released "early action item" reports on April 20, 2007, containing both near-term regulatory proposals, termed "Group 1" measures in the reports, and additional GHG emission reduction measures to be undertaken by the end of 2009, termed "Group 2" measures. The ARB is required to finalize their list of Group 1 items before July 1, 2007, and will undertake individual rulemakings on each. Those items must be adopted and enforceable by January 1, 2010. The regulatory items listed in the CAT report are in progress or planned by member CAT agencies, and are not required under AB 32.

ARB listed three items which fall under the Group 1 category:

- Adoption of a low carbon fuel standard (LCFS)
- Restrictions on “high global warming potential” refrigerants
- Improved landfill methane capture

The LCFS will require fuel refiners to meet a “carbon content” standard, with the goal of reducing the “carbon intensity” of California’s fuel by at least 10% by 2020. The restriction on refrigerants will effectively ban the sale of refrigerants in aerosol cans used by automobile owners to recharge leaky HVAC systems. The landfill methane capture regulation will require the installation of emission control systems at uncontrolled municipal solid waste landfills.

ARB held a workshop to discuss their report on April 23, where several stakeholders requested working groups to advise ARB staff during the rulemaking process. RCRC is working with the ESJPA to file comments to officially request a working group on the landfill methane capture regulation, and to request that it include a representative from the ESJPA. ARB staff plans to complete the rulemaking process on the discrete early action items by late 2008.

The report also included future action items, such as the adoption of rules to award GHG reduction credits to recognize voluntary emission reduction actions by industry, individuals, and governmental entities. Credits will be given to reductions that go beyond “business as usual.” ARB also indicated that they plan to formulate guidelines and protocols for local governments to voluntarily reduce GHG emissions.

The CAT report outlined several rulemakings in process or planned by its member agencies, including regulations on tire efficiency and energy efficient building standards by the California Energy Commission and water use efficiency regulations by the Department of Water Resources.

Climate Action Team

The Climate Action Team (CAT) met on March 12 to discuss each member agency’s current actions related to climate change and to reveal the proposed “Focus Area Subgroups” being formed to coordinate AB 32 efforts across the member agencies. Since that meeting, the subgroups have been holding private meetings but have not yet met publicly to include stakeholders.

Market-Based Incentives Program

The Market Advisory Committee (MAC) held a conference call on April 17 to update stakeholders on its progress on the report of recommendations the Committee must submit to ARB in June 2007. MAC members gave general updates on the elements they are considering incorporating into the program. The MAC’s main focus is the creation of a cap-and-trade system, where both free distribution and auctioning of carbon allocations are being considered. The report will most likely recommend a combination of the two methods.

The MAC is not only considering a cap-and-trade program, but also offsets and credits. Credits could be awarded for early actions by sources before they are covered by the cap-and-trade program. Offsets would be defined as reductions from sources not considered for coverage under the cap-and-trade program, and could be limited in quantity and geography to achieve the program’s goals.

One of the main concerns expressed by MAC members is that industry will attempt to use the market-based program as a method of achieving windfall profits. Environmental justice representatives have also expressed concern that companies in other countries will use profits from credits trading to build additional industrial facilities in disadvantaged communities.

The MAC will conduct another update conference call on May 15, 2007.

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>