



**AB 32 One Year Later:
2007 Accomplishments & The Road Ahead**

**Association of Monterey Bay Area Governments
Tri-County Economic Conference**

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January 25, 2008**

AB 32 Basics

- Signed by the Governor in September 2006
- Sets in statute Governor's 2020 target
- ARB to monitor/regulate GHG sources
- Market approaches allowed, but not required
- Air Resources Board lead, but:
 - Cal/EPA and Climate Action Team continue statewide climate policy coordination
 - Other agency authority preserved
 - Role of CPUC and CEC explicitly recognized
 - ARB must consult on all energy related matters

California Climate Change Emissions



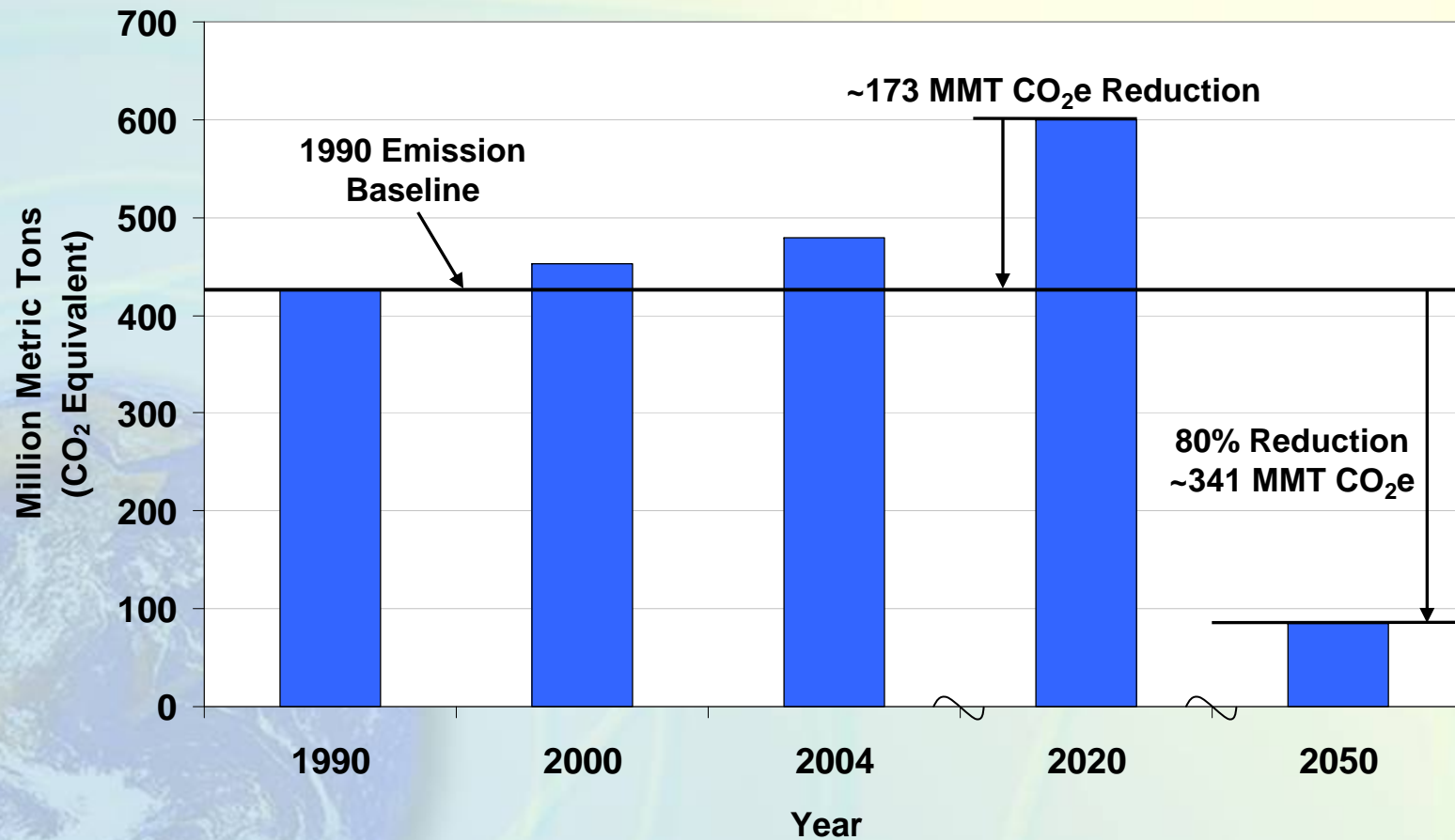
climate
CHANGE

GHG Reductions Required

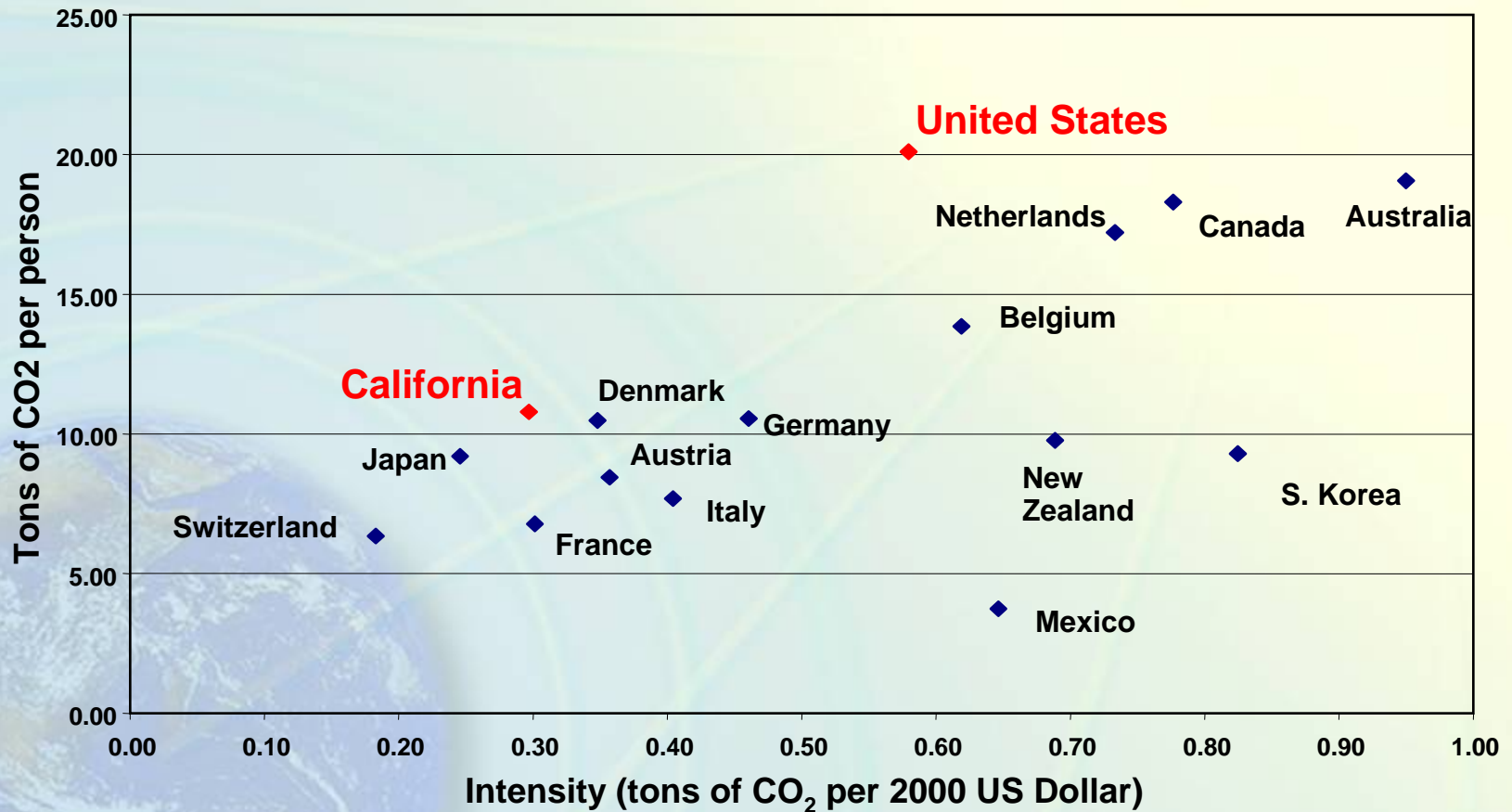
- By 2020 California must reduce GHG emissions to 1990 levels – 173 MMT
- Collectively this means reducing:
 - Today's levels by 15%
 - Projected levels by 28%
 - Emission intensity by 33%

Magnitude of the Challenge

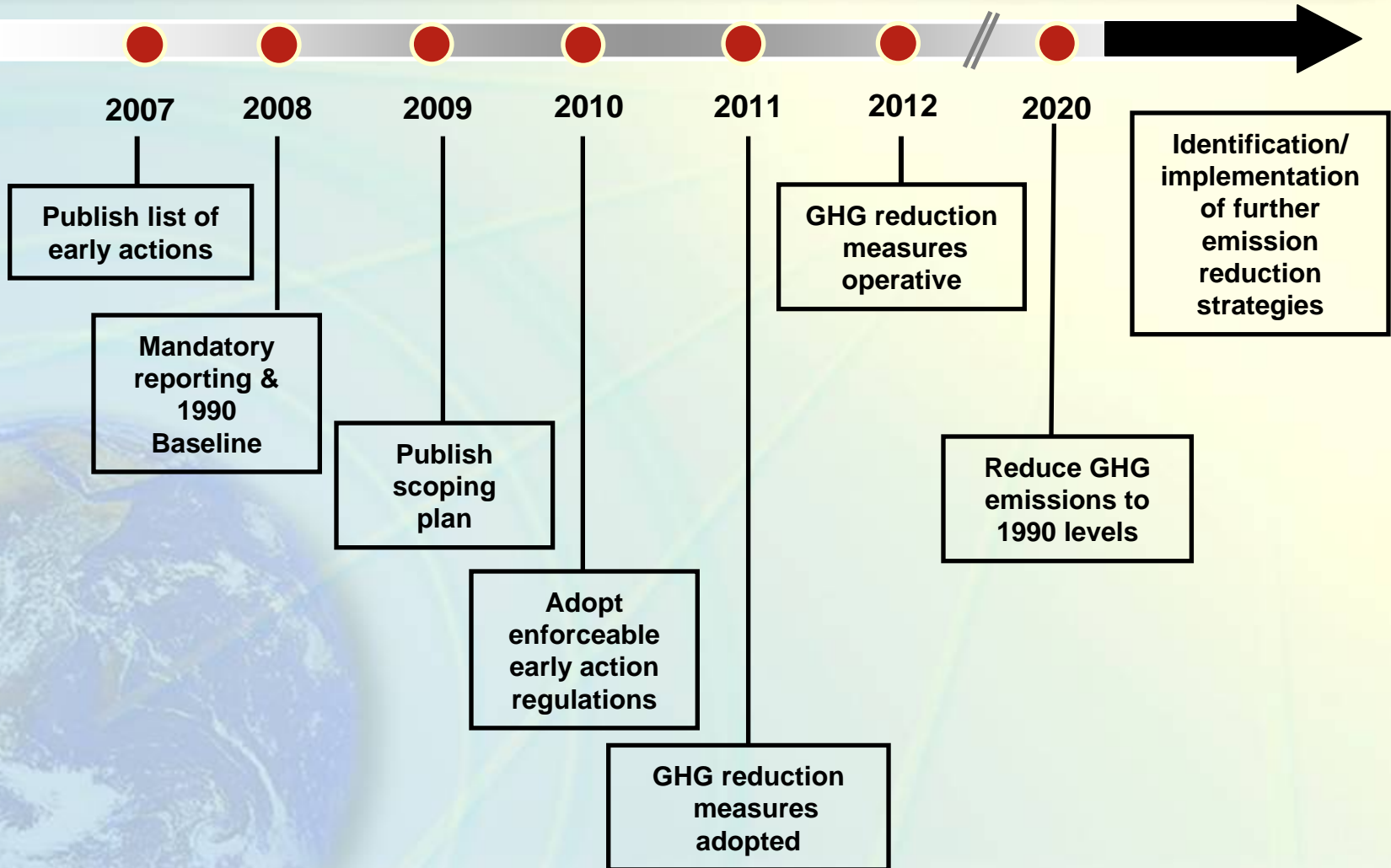
ARB Emissions Inventory



CO2 Intensity Comparisons (Fossil Fuel Combustion Only)



AB 32 Timeline



Passenger Car Regulations

Air Board Adopted Regulations in September 2004
Would provide largest single GHG reduction

- Requires auto manufacturers to cut GHGs 27% by 2030 – a reduction of 50 million metric tons.
- Currently under court challenge from auto industry
- US EPA rejected ARB's waiver request
- California now suing US EPA
- Also studying other ways to get reductions from autos



“There’s no legal basis for Washington to stand in our way” -- Governor Schwarzenegger

Accomplished In 2007

- Approval of potential early action items
 - Low Carbon Fuel, Auto Refrigerants, Landfill Gas, Truck Efficiency, Port Electrification, Semiconductor Perfluorocarbons, Can Propellants, Tire Inflation, Reduced Sulfur Hexafluoride
 - To be considered by early 2009
 - Would reduce 16 MMT -- CAT has other potential actions.

Accomplished in 2007

- Set 1990 GHG Inventory at 427 MMT
 - Requires 173 MMT Reduction by 2020
- Adopted Mandatory Reporting Requirement for Major GHG Emitters
 - Begin tracking in 2008, Begin reporting in 2009
- Forests Protocols – methods to measure amount of GHGs stored in forests
- Adopted port electrification

Scoping Plan

- Describes how California will reduce GHG emissions to 1990 levels by 2020
- Provide a vision for a low carbon future - 2020 and 2050
- Establish California's leadership in climate change, while considering other GHG programs
- Maximize benefits to California
 - Criteria and toxic air pollutant co-benefits
 - Economic development
 - Community participation

Scoping Plan Development

Nov 30, 2007	Scoping Plan Kick-Off Workshop
Dec 6, 2007	Board Hearing - 1990 Baseline, Mandatory Reporting
Dec 14, 2007	Sector Summary Workshop (Sac)
Jan 16, 2008	Mechanisms Workshop (Oakland)
April 4, 2008	Scoping Plan Scenarios Workshop (Sac)
June 2008	Draft Scoping Plan released
July 2008	Workshops on draft plan (Statewide)
Oct 2008	Final Staff Proposal released
Nov 2008	Board Hearing - Scoping Plan

Plan Implementation

- Scoping Plan will include a suite of emission reduction measures and methods
- ARB has two years to adopt regulations implementing the GHG reduction measures
- Accountability
 - State agency annual “Report Card” due to Legislature beginning March 2008
- Enforcement of GHG regulations will be key to achieving targets

Scoping Plan Measures

- AB 32 requires ARB to achieve the maximum technologically feasible and cost-effective greenhouse gas emission reductions
- Possible measures include:
 - Direct regulations
 - Alternative compliance mechanisms
 - Market-based compliance mechanisms
 - Monetary and non-monetary incentives

Statutory Framework

- Regulations may include use of market-based compliance mechanisms
- Before including market-based approaches, the Board shall:
 - Consider potential for cumulative and localized impacts
 - Design system to prevent increase in criteria or toxic emissions
 - Maximize additional environmental and economic benefits

Major Issues

- Role of markets in overall program
 - Many existing regulations have compliance flexibility
- Design issues
 - Scope and point of regulation
 - Allowance allocation
 - Use of offsets--should there be restriction (quantitative, geographic)

Offsets

- Offsets could play role in cap & trade or alternative compliance for direct regulations
- Issues to address include:
 - Validity/enforceability of the offsets
 - Which sources can be offsets
 - When can offsets be used
 - Geographic and/or quantitative limits

Other Considerations

- Any compliance mechanisms will need to include:
 - Rigorous monitoring and reporting
 - Strong verification and enforcement
- Evaluation of options that generate revenue (e.g. allowance auction or a carbon tax) will need to consider how best to distribute proceeds

Voluntary Early Actions

Voluntary early actions are win/win

- ARB required to adopt quantification methodologies and regulations for verification and enforcement
- Staff currently working on framework

Climate Action Team

- Many GHG reduction activities cut across agency boundaries
- Agencies other than ARB are lead for important components
- Climate Action Team (CAT) to coordinate agency efforts
- CAT also looking at impacts, adaptation

Joint Development of Electricity Sector Recommendations

- CPUC and CEC jointly developing recommendations for AB 32 implementation for entire electricity sector (IOU, muni, other)
- Recommendations will be integrated into broader economy-wide approach

Environmental Justice Advisory Committee

- To advise ARB on scoping plan and other matters pertinent to EJ & community groups
- Members are nominated by environmental justice and community groups

Economic and Technology Advancement Advisory Committee

- To advise ARB on technology research and development opportunities
- Representation from stakeholder groups, academia, technology experts

Market Advisory Committee

- Committee appointed by CalEPA
- Final report released June 29, 2007
- Presented to ARB at July 2007 Board meeting
- ARB will review Committee input and consider as part of public process
- ARB responsible for program adoption

Western Regional Climate Action Initiative

- Set overall regional goal consistent with state by state goals
- Develop design for regional market-based multi-sector mechanism
(design due August 2008)
- Participate in multi-state registry
- Promote clean and renewable energy and energy efficiency within region

California Climate Action Registry

- ARB working closely with CCAR
 - Review of existing protocols
 - Development of new protocols
 - Consultation on reporting issues
- The Climate Registry
 - Multi-state effort underway
 - Active CCAR and ARB participation

Contacts and More Information

- ARB Climate Change Web Site
 - <http://www.arb.ca.gov/cc/cc.htm>
 - Stay informed - sign up for list serve
- California Climate Change Portal
 - <http://www.climatechange.ca.gov>
- Climate Page Point of Contact: Rich Varenchik
rvarench@arb.ca.gov (626) 575-6730