

AMENDED IN SENATE MAY 5, 2009

SENATE BILL

No. 31

Introduced by Senator Pavley
(Principal coauthor: Assembly Member Huffman)
(*Coauthor: Senator Hancock*)

December 2, 2008

An act to amend ~~Section~~ *Sections 38505 and 38597* of the Health and Safety Code, relating to air pollution.

LEGISLATIVE COUNSEL'S DIGEST

SB 31, as amended, Pavley. California Global Warming Solutions Act of 2006: revenue allocations.

The California Global Warming Solutions Act of 2006 requires the State Air Resources Board to adopt regulations to require the reporting and verification of emissions of greenhouse gases and to monitor and enforce compliance with the reporting and verification program, and requires the state board to adopt a statewide greenhouse gas emissions limit equivalent to the statewide greenhouse gas emissions levels in 1990 to be achieved by 2020. The act requires the state board to adopt rules and regulations in an open public process to achieve the maximum technologically feasible and cost-effective greenhouse gas emission reductions. The act authorizes the state board to include the use of market-based compliance mechanisms. The act authorizes the state board to adopt a schedule of fees to be paid by the sources of greenhouse gas emissions regulated pursuant to the act, and requires the revenues collected pursuant to that fee to be deposited into the Air Pollution Control Fund and be available, upon appropriation by the Legislature, for purposes of carrying out the act.

This bill would require that revenues collected pursuant to compliance mechanisms, *as defined*, adopted by the state board also be deposited in the Air Pollution Control Fund. This bill would specify certain uses of the revenues collected pursuant to the fee discussed above and the compliance mechanisms.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of the
2 following:

3 (a) The Legislature enacted the California Global Warming
4 Solutions Act of 2006 (the act) in an effort to curb
5 climate-changing greenhouse gases that pose a serious threat to
6 the economic well-being, public health, natural resources, and
7 environment of California.

8 (b) The act requires the State Air Resources Board, to the
9 maximum extent feasible, to direct public and private investment
10 toward the most disadvantaged communities in California and
11 provide an opportunity for small businesses, schools, affordable
12 housing associations, and other community institutions to
13 participate in and benefit from statewide efforts to reduce
14 greenhouse gas emissions.

15 (c) The act also directs the state board to create policies,
16 programs, and regulations that maximize benefits for California's
17 economy, improve and modernize California's energy infrastructure
18 and maintain electric system reliability, maximize additional
19 environmental and economic cobenefits for California, and
20 complement the state's efforts to improve air quality.

21 (d) The state board estimates that efforts to reduce greenhouse
22 gas emissions and develop new green technology would boost
23 economic production by twenty-seven billion dollars
24 (\$27,000,000,000) and create approximately 100,000 jobs in
25 California. The state board also states that air pollution
26 improvements under the act will provide broad public health
27 benefits, including reductions in premature death, respiratory
28 disease, asthma, and worker absenteeism attributed to health
29 problems.

1 (e) In the process of implementing the act, policy bodies that
2 are carrying out or advising on its implementation, including the
3 state board, the State Energy Resources Conservation and
4 Development Commission, the Public Utilities Commission, the
5 Environmental Justice Advisory Committee, the Economic and
6 Technology Advancement Advisory Committee, and the Market
7 Advisory Committee all recommend some form of fees, auctions,
8 or other revenue sources to carry out the provisions of the act.

9 (f) It is the Legislature’s role and responsibility to ensure that
10 expenditures of public funds reflect the policy priorities and public
11 interests of the people of California.

12 *SEC. 2. Section 38505 of the Health and Safety Code is*
13 *amended to read:*

14 38505. For the purposes of this division, 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 equivalent.

18 (b) “Alternative compliance mechanism” means an action
19 undertaken by a greenhouse gas emission source that achieves the
20 equivalent reduction of greenhouse gas emissions over the same
21 time period as a direct emission reduction, and that is approved
22 by the state board. “Alternative compliance mechanism” includes,
23 but is not limited to, a flexible compliance schedule, alternative
24 control technology, a process change, or a product substitution.

25 (c) “Auction” or “auctioning” means a publicly accessible and
26 recorded sale or transaction conducted by means of oral or written
27 exchanges, including exchanges made in person or through
28 electronic media, to the highest bidder, of a limited quantity of
29 allowances to covered entities in a capped system, in which those
30 entities are prohibited from emitting pollution beyond the amount
31 authorized by allowances to be surrendered. “Auction” or
32 “auctioning” does not include any exchange not subject to the
33 laws governing financial transactions within the jurisdiction of
34 the state.

35 (e)

36 (d) “Carbon dioxide equivalent” means the amount of carbon
37 dioxide by weight that would produce the same global warming
38 impact as a given weight of another greenhouse gas, based on the
39 best available science, including from the Intergovernmental Panel
40 on Climate Change.

1 (e) “Compliance mechanism” means the use of a
2 revenue-generating mechanism that may include, but is not limited
3 to, auctioning.

4 ~~(d)~~

5 (f) “Cost-effective” or “cost-effectiveness” means the cost per
6 unit of reduced emissions of greenhouse gases adjusted for its
7 global warming potential.

8 ~~(e)~~

9 (g) “Direct emission reduction” means a greenhouse gas
10 emission reduction action made by a greenhouse gas emission
11 source at that source.

12 ~~(f)~~

13 (h) “Emissions reduction measure” means programs, measures,
14 standards, and alternative compliance mechanisms authorized
15 pursuant to this division, applicable to sources or categories of
16 sources, that are designed to reduce emissions of greenhouse gases.

17 ~~(g)~~

18 (i) “Greenhouse gas” or “greenhouse gases” includes all of the
19 following gases: carbon dioxide, methane, nitrous oxide,
20 hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride.

21 ~~(h)~~

22 (j) “Greenhouse gas emissions limit” means an authorization,
23 during a specified year, to emit up to a level of greenhouse gases
24 specified by the state board, expressed in tons of carbon dioxide
25 equivalents.

26 ~~(i)~~

27 (k) “Greenhouse gas emission source” or “source” means any
28 source, or category of sources, of greenhouse gas emissions whose
29 emissions are at a level of significance, as determined by the state
30 board, that its participation in the program established under this
31 division will enable the state board to effectively reduce greenhouse
32 gas emissions and monitor compliance with the statewide
33 greenhouse gas emissions limit.

34 ~~(j)~~

35 (l) “Leakage” means a reduction in emissions of greenhouse
36 gases within the state that is offset by an increase in emissions of
37 greenhouse gases outside the state.

38 ~~(k)~~

39 (m) “Market-based compliance mechanism” means either of
40 the following:

1 (1) A system of market-based declining annual aggregate
2 emissions limitations for sources or categories of sources that emit
3 greenhouse gases.

4 (2) Greenhouse gas emissions exchanges, banking, credits, and
5 other transactions, governed by rules and protocols established by
6 the state board, that result in the same greenhouse gas emission
7 reduction, over the same time period, as direct compliance with a
8 greenhouse gas emission limit or emission reduction measure
9 adopted by the state board pursuant to this division.

10 ~~(t)~~

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

12 ~~(m)~~

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

20 ~~(n)~~

21 (p) “Statewide greenhouse gas emissions limit” or “statewide
22 emissions limit” means the maximum allowable level of statewide
23 greenhouse gas emissions in 2020, as determined by the state board
24 pursuant to Part 3 (commencing with Section 38550).

25 ~~SEC. 2.~~

26 *SEC. 3.* Section 38597 of the Health and Safety Code is
27 amended to read:

28 38597. The state board may adopt by regulation, after a public
29 workshop, a schedule of fees to be paid by the sources of
30 greenhouse gas emissions regulated pursuant to this division,
31 consistent with Section 57001. The revenues collected pursuant
32 to this section, ~~or including any revenues generated~~ pursuant to
33 compliance mechanisms adopted by the state board, shall be
34 deposited into the Air Pollution Control Fund and are available,
35 upon appropriation by the Legislature, for purposes of carrying
36 out this division, including, but not limited to, all of the following:

37 (a) The costs of administering this division.

38 (b) Renewable energy and energy efficiency programs that
39 reduce greenhouse gas emissions, particularly those programs
40 focusing on low-income consumers.

- 1 (c) Investments in technologies to reduce greenhouse gas
- 2 emissions, including research, development, and demonstration
- 3 and deployment, especially technologies that provide pollution
- 4 reduction cobenefits.
- 5 (d) Green jobs development and training that will reduce
- 6 greenhouse gas emissions.