

AB 32 PROPOSED IMPLEMENTATION PLAN SUMMARY

What is AB 32?

AB 32, the Global Warming Solutions Act of 2006, is California's landmark global warming legislation. It will reduce California greenhouse gas emissions (GHGs) to 1990 levels by 2020 and to 80 percent below 1990 levels by 2050.

Agency in charge and timeline

The California Air Resources Board (ARB) is the government agency charged with determining how the AB 32 goals will be reached. On June 26, 2008, ARB released its AB 32 draft "scoping plan" – the plan describing the measures that will be used to reach AB 32's GHG reduction goals for 2020. The plan aims to reduce California's GHG emissions by 169 million metric tons of carbon dioxide equivalent (MMTCO₂E) thru a variety of strategies, including sector-specific regulations, market mechanisms, voluntary measures, fees, incentives and other policies and programs.

ARB will hold a series of statewide workshops and accept formal written comments in July and August 2008 to get public comment on its draft scoping plan. The agency will also accept formal written comments thru its website. Based on the comments, ARB staff will revise the draft plan and release a final staff recommendation in October 2008. The Air Resources Board members will vote on the final plan in November. It will actually go into effect in 2012, after several more years of refining the implementation plan. Some "early action measures" will be implemented before 2012.

What's in the draft scoping plan?

Sector-specific measures:

The sectors that will be most significantly impacted by proposed measures are energy, construction, industry and transportation.

ENERGY SECTOR: Major proposed measures include increasing California's renewables portfolio standard (RPS) from 20% to 33%. The RPS requires that California utilities source 33% of the electricity they deliver from renewable resources such as wind, solar, geothermal and biomass. There is also a measure to encourage the installation of solar electric systems, in line with the Million Solar Roofs program.

CONSTRUCTION SECTOR: There are measures to increase building and appliance efficiency measures, including a major energy efficiency program for state buildings; encourage combined heat and power systems; implement stringent efficiency standards for new construction, and incentivize the installation of solar water heating systems.

TRANSPORTATION SECTOR: Major proposed measures include implementing the Pavley standards (AB 1493), which would reduce GHG emissions from passenger vehicles by about 22 percent by 2012 and about 30 percent by 2016; and moving forward with a Low Carbon Fuel Standard, which would reduce the carbon content of California's transportation fuels 10 percent by 2020. There are also several early action measures that target goods movement, including a measure to improve the efficiency of heavy-duty tractors and trailers and a measure to reduce emissions at California ports. The only major public transit measure proposes a high speed rail system between Northern and Southern California.

INDUSTRY SECTOR: For a broad set of industries including manufacturing, gas and oil refining, and others, the main proposed measure thus far is to conduct energy efficiency and co-benefits audits and require investments in cost-effective efficiency measures determined by the audits. These sectors will also be covered by the proposed cap and trade policy (see below). A key issue that impacts these industries is whether ARB will count the emissions produced by out-of-state companies whose products are consumed in California. If it does not, the result could be a “leakage” of jobs and carbon emissions out of California to states and countries with lower environmental standards.

OTHER SECTORS: ARB also proposes measures that target agriculture, forests, high global warming potential greenhouse gases (such as SF6), recycling and waste, and the water sector. ARB also proposes 30% minimum emissions reduction by the state government, and plans to work with local governments on measures under their jurisdiction, including building codes, land use, and transit. For a detailed list of the proposed measures, see the AB 32 draft scoping plan at <http://www.arb.ca.gov/cc/scopingplan/document/draftscopingplan.htm>

Multi-sector measures: cap and trade program

ARB staff propose the implementation of a cap and trade program in California, to be designed and administered in collaboration with other Western States in the US and Canada that are participating in the Western Climate Initiative. The cap and trade program will result in about 20% of the total AB 32 emissions reductions – or 35 out of the total 169 MMTCO₂E. Capped sectors would include electricity, transportation fuels, natural gas and large industrial sources.

A cap and trade program is a market mechanism that allows the buying and selling of carbon allowances – allowances that give a firm the right to emit carbon into the atmosphere – by the private sector.

One key issue still to be determined by ARB is whether carbon allowances will be given away for free to carbon emitters, auctioned for a fee or some mix of the two approaches. The more allowances that are auctioned, the more revenues will be generated for the state. A recent estimate of revenues from a cap and trade program is \$9 billion per year. Another controversial issue concerns the extent to which companies use “offsets” as part of their emissions compliance. A company can “offset” its own emissions by investing in a project located outside the capped sectors that reduces greenhouse gas emissions, such as a wind farm or solar energy project outside the state. Regarding offsets, the questions are, should they be allowed, to what extent, and should they be limited to California?

How to get involved

Submit a comment to ARB thru its website:

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

Contact the CA Labor Federation: Peter Cooper, 916-444-3676 x13, pcooper@calaborfed.org.