CITY OF OAKLAND

BILL ANALYSIS CONTRACTOR

Date: April 19, 2006 2005 APR 20 PN 3: 05

Bill Number: AB 32

Bill Author: Assemblymember Fran Pavley

DEPARTMENT INFORMATION

Contact: Scott Wentworth, P.E., Energy Engineer

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RECOMMENDED POSITION: Support

Summary of the Bill

AB 32 aims to secure a leadership role for California in the world's emerging clean energy market, while reducing harmful emissions that exacerbate respiratory illness and global warming. The bill requires regulations, by January 1, 2008, that begin tracking and capping greenhouse gas emissions related to California's industrial and commercial sectors in an economically efficient manner. The statewide emissions cap currently being considered is equal to 1990 emissions levels. The primary focus is "upstream" emissions from energy and fuel suppliers at their gateways into the state.

AB 32 emphasizes non-bypassable accounting methods to recognize measurable changes that make real differences on a global scale. For example, avoiding the cutting of 10,000 trees in California will be not be given credit for greenhouse gas sequestration if 10,000 more trees are cut in Oregon or Canada to meet market demands.

AB 32 instructs State agencies to explore creating an emissions trading market; an opportunity that has much better likelihood of success when finite caps create demand and a market for emissions credits.

Positive Factors for Oakland

Anticipated benefits of the bill include energy technology investment, job creation, and increased income for California. Successful outcomes of AB 32 are expected to significantly reduce greenhouse gas emissions from California sources, which will help with global efforts to stabilize greenhouse gas concentrations in the atmosphere and help minimize the serious environmental and public health impacts of global warming.

Emissions tracking will be performed by State agencies, using records that are available back to the 1990 baseline period. Oakland benefits from this approach because City staff will have little involvement in the tracking work. Oakland will have a jump on emissions trading through our work with the Chicago Climate Exchange (CCX).



Negative Factors for Oakland

If AB 32 results in departures of businesses from California, Oakland could lose jobs. The bill includes language that sets goals and requires best efforts, leaving oversight to regulatory agencies. The bill will be less effective for Oakland if it does not include a clear record of legislative intent to guide regulators, or if best efforts are allowed when specific requirements would set clearer expectations.

PLEASE RATE THE EFFECT OF THIS MEASURE ON THE CITY OF OAKLAND:

X Somewhat Important (City position desirable if time and resources are available)

Known Support: Natural Resources Defense Council and the Environmental Defense Fund.

Known Opposition: No known opposition.

Respectfully Submitted,

Raul Godinez, II

Director, Public Works Agency

Reviewed by: Bruce Saunders Assistant Director, Infrastructure & Operations

Prepared by: Scott Wentworth, Energy Engineer

Approved for Forwarding to Rules Committee

Office of City Administrator

Rules & Legislation Committee
May 4, 2006

AMENDED IN SENATE AUGUST 15, 2005 AMENDED IN ASSEMBLY MARCH 31, 2005

CALIFORNIA LEGISLATURE—2005-06 REGULAR SESSION

ASSEMBLY BILL

No. 32

Introduced by Assembly Member Pavley (Coauthors: Assembly Members Chan, Hancock, Koretz, and Laird)

(Coauthor: Senator Simitian)

December 6, 2004

An act to amend Sections 42801 and 42823 of, and to add Chapter 6.5 (commencing with Section 42875) to Part 4 of Division 26 of, the Health and Safety Code, relating to air pollution.

LEGISLATIVE COUNSEL'S DIGEST

AB 32, as amended, Pavley. Greenhouse gas emissions: California Climate Action Registry.

Existing law requires the Secretary of the Resources Agency to establish the California Climate Action Registry (hereafter registry) as a public benefit nonprofit corporation, and makes legislative findings and declarations relating to the registry. Existing law requires the registry to perform various functions, including, among other things, the adoption of procedures and protocols for the reporting and certification of greenhouse gas—emissions reductions resulting from a project or an action of a participant in the registry.

This bill would revise the functions and duties of the registry by requiring the registry, in coordination with the California Environmental Protection Agency and the State Energy Resources Conservation and Development Commission, to adopt specified procedures and protocols for monitoring, estimating, calculating,

AB 32 —2—

reporting, and certifying greenhouse gas emissions resulting from specified industrial sectors, as provided. This bill would require the registry to coordinate with state agencies to promote the development of harmonized reporting standards, as specified, and would require the registry, to the extent possible, to coordinate with other states and regions to ensure that businesses and organizations operating both in this state and out of state follow uniform protocols when reporting to multiple registries, states, or regions.

The bill would enact the California Climate Act of 2006 to require the Secretary of the California Environmental Protection Agency to institute a cap on greenhouse gas emissions from the electrical power, industrial, and commercial sectors of the economy, institute a schedule of emissions reductions for specified entities, develop an enforcement mechanism for reducing greenhouse gas emissions to the target level, and establish a program to track and report greenhouse gas emissions and to monitor and enforce compliance with the greenhouse gas emissions cap. The bill would require the secretary, on or before January 1, 2008, to submit a detailed plan to achieve the greenhouse gas emissions cap to the Governor and the Legislature, and to submit a report, on or before January 1, 2009, and annually thereafter, on the progress made toward meeting the greenhouse gas emissions cap. The bill would set standards for the schedule of greenhouse gas emissions reductions, and would require, by regulation, any entity subject to the greenhouse gas emissions cap to be prohibited from meeting those obligations using emissions reductions achieved outside the scope of the greenhouse gas emissions cap. This bill would also make legislative findings and declarations with regard to reducing greenhouse gas emissions associated with climate change.

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

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

- SECTION 1. Section 42801 of the Health and Safety Code is amended to read:
- 3 42801. The Legislature finds and declares all of the 4 following:
- 5 (a) It is in the best interest of the State of California, the
- 6 United States of America, and the earth as a whole, to encourage

-3- AB 32

voluntary actions to achieve all economically beneficial reductions of greenhouse gas emissions from California sources.

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- (b) Mandatory greenhouse gas emissions reductions may be imposed on California sources at some future point, and in view of this, the state has a responsibility to use its best efforts to ensure that organizations that voluntarily inventory their emissions receive appropriate consideration for changes in emissions quantities made prior to the implementation of any mandatory programs.
- (c) Past initiatives in the state that took early and responsible action to reduce air pollution and ozone smog have demonstrated political, economic, and technological leadership, and have proven to benefit the state.
- (d) The state's tradition of environmental leadership should be recognized through the establishment of a registry to provide documentation of greenhouse gas emissions levels voluntarily achieved by sources in the state. The registry will provide participants an opportunity to register greenhouse gas emissions information in a consistent format using publicly reviewed and adopted procedures and protocols.
- (e) The state hereby commits to use its best efforts to ensure that organizations that establish greenhouse gas emissions baselines and register emissions results that are certified in accordance with this chapter receive appropriate consideration under any future international, federal, or state regulatory scheme relating to greenhouse gas emissions. The state cannot guarantee that any regulatory regime relating to greenhouse gas emissions will recognize the baselines and annual results recorded in the registry.
- (f) The state hereby commits to review future international or federal programs related to greenhouse gas emissions and to make reasonable efforts to promote consistency between the state program and these programs and to reduce the reporting burden on participants, if changes to the state program are consistent with the goals and intent of Section 42810.
- (g) The state has supported developing standardized greenhouse gas-emission emissions accounting, reporting, and certifying guidelines through the creation of the California Climate Action Registry. Further industry-specific and project greenhouse gas emissions reporting protocols are needed to

AB 32 __4 __

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facilitate participation in the registry and to provide streamlined guidance for certain sectors. To the extent feasible, the state hereby commits to coordinate greenhouse gas emissions programs with other states and regions, until a national program 5 is established to limit greenhouse gas emissions.

- SEC. 2. Section 42823 of the Health and Safety Code is amended to read:
- 42823. The registry shall perform all of the following functions:
- (a) Provide participants with referrals to approved providers for technical assistance and advice, upon the request of a participant, on any or all of the following:
- (1) Designing programs to establish greenhouse gas emissions baselines and to monitor, estimate, calculate, report, and certify greenhouse gas emissions.
- (2) Establishing emissions reduction goals based on international or federal best practices for specific industries and economic sectors.
- (3) Designing and implementing organization-specific plans that improve energy efficiency or utilize renewable energy, or both, and that are capable of achieving-emission emissions reduction targets.
- (4) Designing plans for the conservation and management of native forest reservoirs as a means to assist participants in attaining—emission emissions reduction goals and reporting annual emissions results.
- (b) In coordination with the State Energy Resources Conservation and Development Commission, the registry shall adopt and periodically update a list of organizations recognized by the state as qualified to provide the detailed technical assistance and advice in subdivision (a) and assist participants in identifying and selecting providers that have expertise applicable to each participant's circumstances. The registry shall coordinate with the Department of Forestry and Fire Protection and the State Board of Forestry and Fire Protection to provide referrals to providers for purposes of paragraph (4) of subdivision (a).
- (c) The registry shall adopt procedures and protocols for the reporting and certification of greenhouse gas emissions

-5- AB 32

A participant shall report—emission emissions reductions as a separate item in its annual emissions results.

- (d) In coordination with the California Environmental Protection Agency and the State Energy Resources Conservation and Development Commission, the registry shall adopt procedures and protocols for monitoring, estimating, calculating, reporting, and certifying greenhouse gas emissions resulting from all of the following industrial sectors:
- (1) Oil and natural gas exploration, extraction, processing, refining, transmission, and distribution.
 - (2) Cement production.

- (3) Municipal solid waste and industrial waste hauling and disposal.
- (e) In coordination with the Resources Agency and consistent with the data and information acquired and developed pursuant to subdivision (b) of Section 25730 of the Public Resources Code, the registry shall adopt procedures and protocols for the monitoring, estimating, calculating, reporting, and certifying of carbon stocks and carbon dioxide emissions resulting from the conservation and conservation-based management, including reforestation, of native forest reservoirs in California in order to permit participants to include the results of those activities as a participant's registered emissions results, or as a part thereof. Procedures and protocols shall require, at a minimum, that those forestry activities meet the following criteria in order to be reported as a participant's emissions results, or as a part thereof:
- (1) Forestry activities that are reported as a participant's emissions results, or as a part thereof, shall be based on forest management practices within a defined project area that exceed applicable federal, state, and local land use laws and regulations, including, but not limited to, the Z'berg-Nejedly Forest Practice Act of 1973 (Chapter 8 (commencing with Section 4511) of Part 2 of Division 4 of the Public Resources Code). Applicable federal, state, and local land use laws and regulations shall be those in effect each time a participant registers a defined project area in the registry.
- (2) Forestry activities that are reported as a participant's emissions results, or a part thereof, shall occur on forest land that is permanently dedicated to forest use through a restriction, granted in perpetuity, on the use that may be made of real

AB 32 — 6—

property that is consistent with the conservation purposes listed in Section 170(h)(4)(A)(ii) and (iii) of Title 26 of the United States Code.

- (3) Forestry activities reported as emissions results, or as a part thereof, shall reflect the amount of time that net carbon gains are stored.
- (4) Forestry activities maintain and promote native forest types.
- (5) If emissions results are derived from forest lands undergoing harvest and regeneration, those results are derived from natural forest management practices.
- (f) Adopt procedures and protocols for certification of reported baseline emissions and emissions results. When adopting procedures and protocols for the certification, the registry shall consider the availability and suitability of simplified techniques and tools.
- (g) Qualify third-party organizations that have the capability to certify reported baseline emissions and emissions results, and that are capable of certifying the participant-reported results as provided in this chapter.
- (h) Adopt procedures and protocols, including a uniform format for reporting emissions baselines and emissions results to facilitate their recognition in any future regulatory regime.
- (i) Maintain a record of all certified greenhouse gas emissions baselines and emissions results. Separate records shall be kept for direct and indirect emissions results. The public shall have access to this record, except for any portion of the data or information that is exempt from disclosure pursuant to the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code).
- (j) Coordinate with state agencies to promote the development of harmonized reporting standards for measuring, accounting, reporting, and certifying greenhouse gas emissions. The registry shall also encourage organizations from various sectors of the state's economy, and those from various geographic regions of the state, to report emissions, establish baselines and reduction targets, and implement efficiency improvement and renewable energy programs to achieve those targets, and, to the extent possible, coordinate its policies and programs with policies and programs in other states and regions to ensure that businesses and

—7— AB 32

organizations operating both in this state and out of state follow uniform and consistent protocols when reporting to multiple registries, states, or regions.

- (k) Recognize, publicize, and promote participants.
- (1) In coordination with the State Energy Resources Conservation and Development Commission and the state board, adopt industry-specific reporting metrics at one or more public meetings.
- (m) In consultation with the state board, adopt procedures and protocols for the reporting and certification of reductions in emissions of greenhouse gases, to the extent permitted by state and federal law, for those reductions achieved prior to the operative date of the regulations adopted pursuant to subdivision (a) of Section 43018.5.
- SEC. 3. Chapter 6.5 (commencing with Section 42875) is added to Part 4 of Division 26 of the Health and Safety Code, to read:

CHAPTER 6.5. CALIFORNIA CLIMATE ACT OF 2006

- 42875. This chapter shall be known, and may be cited, as the California Climate Act of 2006.
- 42876. The Legislature hereby finds and declares all of the following:
- (a) The world's leading scientists, including the National Academy of Sciences from 11 nations, have definitively established that human activity in the form of greenhouse gas emissions is changing the global climate, with consensus estimates of an average increase in temperature between 2 and 10 degrees by the end of the century.
- (b) The impacts of climate change include the likelihood of a rise in sea level that could displace tens of thousands of coastal residents, changes in weather patterns that could negatively affect water supplies and food production, increases in disease outbreaks and heat-related deaths in some areas, and degradation of air quality, among other worldwide impacts.
- (c) A study by the Union of Concerned Scientists in 2004 indicated that, without controls on greenhouse gas emissions, California's summer temperatures could increase by as much as 10 degrees annually in some parts of the state by 2100, resulting

AB 32 —8—

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in increased mortality among the elderly and other vulnerable increased respiratory illness, populations, a profound 3 transformation of the landscape, including the potential wipeout 4 of several animal species, increased disease and death from insect-borne illnesses, loss of the annual Sierra snowpack and related water supply problems, rising sea levels that could impact coastal cities, towns, and valuable coastal wetlands, changes in agricultural production, and a dramatic increase in 9 state energy needs to keep parts of the state habitable in the 10 summer.

- (d) The Kyoto Protocol, which has been ratified by 140 countries, went into effect on February 16, 2005, requiring reductions in greenhouse gas emissions on the part of signatories that include many countries that emit a smaller quantity of greenhouse gases than California.
- (e) Over 170 mayors of cities around the country have made a commitment to reduce greenhouse gas emissions to meet targets consistent with the Kyoto Protocol.
- (f) California has led the United States in taking action to reduce greenhouse gas emissions by enacting legislation in 2002 to reduce vehicular emissions of greenhouse gases, and by the subsequent adoption of regulations to reduce greenhouse gases from cars and light trucks beginning in 2009.
- (g) California is also taking a leadership role in promoting the use of clean renewable energy, including solar and wind power, and noncarbon transportation fuels, including hydrogen.
- (h) To protect the environment, public health, and quality of life, California should take aggressive steps to further reduce greenhouse gas emissions in order to help lessen the negative impacts of global climate change.
- (i) Global warming will have serious adverse consequences on the economy, health, and environment of California.
- (j) The control and reduction of emissions of greenhouse gas pollutants are critical to slow the effects of global warming.
- (k) Many California businesses face multiple financial risks based on their emissions of greenhouse gases, and businesses that substantially reduce emissions will reduce these risks and may gain a competitive advantage. Decisions about new commitments to carbon-emitting resources should take into

— 9 — **AB32**

account potential exposures of California consumers to future pollution-control costs.

(1) California, when compared against countries around the globe, is the 10th largest emitter of carbon dioxide pollution in the world.

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- (m) California's consumption of imported electricity is responsible for carbon dioxide pollution emitted from powerplants in other parts of the western United States.
- (n) Addressing global warming early and aggressively may result in substantial economic benefits. California and the region are rich in renewable energy resources and advanced energy efficiency technologies that will create new jobs, make California a global leader, and provide a hedge against the economic impact of price spikes for natural gas and oil.
- (o) Climate change prevention strategies will have numerous 16 public health and environmental benefits by reducing the pollutants that cause smog, soot, haze, and toxic air pollution, and will also help to ensure adequate water supplies, preserve farm and forest land uses, and reduce traffic congestion.
 - (p) A set of representative low-carbon policies analyzed for the West Coast Governors' Global Warming Initiative estimates that the west coast region would save a net cumulative total of almost forty billion dollars (\$40,000,000,000) by 2020.
 - (q) Current state and federal policies alone will not lead to a reduction in current greenhouse gas emissions levels associated with global warming.
 - 42877. (a) On or before January 1, 2008, the Secretary of the California Environmental Protection Agency shall do all of the following:
- 30 (1) Implement, by regulation and in an economically efficient 31 manner, a greenhouse gas emissions cap for the electrical power, 32 industrial, and commercial sectors of the California economy, 33 based on carbon dioxide equivalence, in consultation with the Business, Transportation and Housing Agency, the Department 35 of Food and Agriculture, the Resources Agency, the state board, 36 the Energy Commission, and the Public Utilities Commission.
- 37 (2) Institute a schedule of greenhouse gas emissions 38 reductions by regulation for entities that own, control, or 39 contract for a source of greenhouse gas emissions in the electrical power, industrial, or commercial sectors; refine or

AB 32 — 10 —

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import petroleum products for use in transportation; or produce or import hydrofluorocarbons, perfluorocarbons, or sulfur hexafluoride.

- (3) Develop an enforcement mechanism for reducing greenhouse gas emissions to the target level by regulation.
- (4) Establish a program to track and report greenhouse gas emissions from the electrical power, industrial, and commercial sectors of the economy, and to monitor and enforce compliance with the greenhouse gas emissions cap by regulation.
- (b) Upon implementation of the greenhouse gas emissions reduction cap, the Secretary of the California Environmental 12 Protection Agency shall consider the feasibility of expanding the program to include trading with other emissions reduction programs in other states, regions, or countries.
- (c) The Secretary of the California Environmental Protection 16 Agency shall, at a minimum, set the greenhouse gas emissions cap at a level that would ensure that entities in the electrical 17 power, industrial, and commercial sectors meet or exceed the 18 19 level set by the greenhouse gas emissions cap. Any emissions 20 allowances shall be determined by the annual limits on emissions established to comply with the schedule of greenhouse gas 21 22 emissions reductions. In instituting the schedule of greenhouse gas emissions reductions, the Secretary of the California 23 Environmental Protection Agency shall, at a minimum, comply 24 25 with all of the following requirements:
- 26 (1) The reduction schedule shall not create large windfall 27 profits for private businesses.
 - (2) The reduction schedule shall not penalize industries or companies that have acted prior to the date of the enactment of the act that adds this chapter to reduce greenhouse gas emissions.
- (3) The reduction schedule shall not result in disproportionate 32 33 impacts to consumers.
- (4) The reduction schedule shall not place a disproportionate 34 35 burden on any geographic or socioeconomic group.
- 36 (5) The reduction schedule shall ensure that entities are 37 appropriately motivated to make investments that will reduce 38 emissions.
- 39 (6) The reduction schedule shall minimize the administrative 40 burden involved in implementation.

—11 — AB 32

(d) Regulations developed and established pursuant to subdivision (a) shall prohibit entities subject to the greenhouse gas emissions cap from meeting obligations using emissions reductions achieved outside the scope of the greenhouse gas emissions cap.

42878. (a) On or before January 1, 2008, the Secretary of the California Environmental Protection Agency shall prepare and provide to the Governor and the Legislature a detailed plan for achieving the greenhouse gas emissions cap, with a full explanation of the methodology used to arrive at the cap level. The plan shall include recommendations to reduce greenhouse gas emissions in all sectors of the economy.

(b) On or before January 1, 2009, and annually thereafter, the Secretary of the California Environmental Protection Agency shall submit a report to the Governor and the Legislature on the progress made toward meeting the greenhouse gas emissions cap.

20 CORRECTIONS:

Text --- Pages 4, 5, 8, 9, and 10.



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OAKLAND CITY COUNCIL

| Resolution No | C.M.S. |
|-----------------------------|--------|
| Introduced by Councilmember | · |

RESOLUTION SUPPORTING AB 32 – THE CLIMATE CHANGE ACT OF 2006 BEING CONSIDERED BY THE CALIFORNIA LEGISLATURE

WHEREAS, AB 32 aims to secure a leadership role for California in the world's emerging clean energy market, while reducing harmful emissions that exacerbate respiratory illness and global warming; and

WHEREAS, AB 32 establishes mandatory statewide reporting and tracking regulations for greenhouse gas emissions related to California's activities, and caps emissions in an economically efficient manner to achieve tangible reductions while increasing technology investment, adding jobs and increasing income in California; and

WHEREAS, AB 32 emphasizes accounting methods that are non-bypassable; and

WHEREAS, AB 32 does not anticipate requiring that individual cities track the greenhouse gas emissions; and

WHEREAS, AB 32 seeks to explore opportunities for an emissions trading market and improves the market's opportunity for success by capping emissions to create a demand for emissions credits; and

WHEREAS, successful outcomes of AB 32 are expected to significantly reduce greenhouse gas emissions from California sources, which will help with global efforts to stabilize greenhouse gas concentrations in the atmosphere and help minimize the serious environmental and public health impacts of global warming; and

WHEREAS, AB 32 is supported by the Natural Resources Defense Council and the Environmental Defense Fund; and

WHEREAS, AB 32 includes language that sets goals and requires best efforts; now, therefore, be it

RESOLVED: That the Oakland City Council supports AB 32 and instructs its lobbyist to support the bill in general; and be it

FURTHER RESOLVED: That the Oakland City Council urges the California Legislature to provide a clear record on the legislative intent associated with AB 32, and to include language in the legislation that sets specific requirements for greenhouse gas reductions, to set clear expectations.

| IN COUNCIL, OAKLAND, CALIFORNIA, | , 2006 |
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| PASSED BY THE FOLLOWING VOTE: | |
| AYES - BRUNNER, KERNIGHAN, NADEL, QUAN, BROOKS, REID, PRESIDENT DE LA FUENTE | CHANG, AND |
| NOES | |
| ABSENT - | |
| ABSTENTION - | |
| ATTEST: | |
| ATTEST. | |

LATONDA SIMMONS
City Clerk and Clerk of the Council of the City of Oakland, California