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CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

ASSEMBLY BILL

No. 32

**Introduced by Assembly Members Nunez and Pavley
(Principal coauthor: Assembly Member Nation)**

(Coauthors: Assembly Members Arambula, Baca, Bass, Berg, Bermudez, Calderon, Chan, Chavez, Chu, Cohn, Coto, De La Torre, Dymally, Evans, Frommer, Goldberg, Hancock, Jerome Horton, Jones, Karnette, Klehs, Koretz, Laird, Leno, Levine, Lieber, Lieu, Montanez, Mullin, Nava, Oropeza, Ridley-Thomas, Ruskin, Saldana, Salinas, Torrico, Vargas, Wolk, and Yee)

(Coauthors: Senators Alarcon, Bowen, Chesbro, Escutia, Figueroa, Kehoe, Kuehl, Lowenthal, Migden, Romero, Simitian, Soto, Speier, Torlakson, and Vincent)

December 6, 2004

~~An act to amend Section 39003 of, and to add Division 25.5 (commencing with Section 38500) to, the Health and Safety Code, and to repeal Section 25730 of the Public Resources Code, relating to air~~

~~pollution~~. *An act to add Division 25.5 (commencing with Section 38500) to the Health and Safety Code, relating to air pollution.*

LEGISLATIVE COUNSEL'S DIGEST

AB 32, as amended, Nunez. Air pollution: greenhouse gases: California Global Warming Solutions Act of 2006.

~~(1)~~ Under existing law, the State Air Resources Board (state board), the State Energy Resources Conservation and Development Commission (Energy Commission), and the California Climate Action Registry all have responsibilities with respect to the control of emissions of greenhouse gases, as defined, and the Secretary for Environmental Protection is required to coordinate emission reductions of greenhouse gases and climate change activity in state government.

~~This bill would enact the California Global Warming Solutions Act of 2006. The act would create and specify the membership of the California Greenhouse Gas Reduction Council (council) with the purpose of coordinating the development and implementation of the State Agency Greenhouse Gas Emission Plan. The bill would require state bodies, as defined, to submit and the council to adopt a statewide greenhouse gas emissions reduction plan and plan elements and would require state bodies to adopt and implement the measures specified in the plan or plan updates and to report annually to the council on the progress of its plan elements. The bill would require the council, by January 1, 2008, to prepare and submit to the Governor and Legislature a report that makes recommendations for changes to state law and regulation that will assist in providing financial or other incentives to greenhouse gas emission sources and other entities to undertake actions to reduce greenhouse gas emissions to comply with the act.~~

~~This bill would require the state board to adopt regulations on or before January 1, 2008, establishing a program to require the reporting and verification of statewide greenhouse gas emissions, as defined. The bill would authorize the state board to adopt a schedule of fees to be paid by the sources of greenhouse gas emissions to cover the actual cost of the monitoring and reporting program *regulations to require the reporting and verification of statewide greenhouse gas emissions and to monitor and enforce compliance with this program, as specified.* The bill would require the state board to adopt, on or before~~

~~January 1, 2008, a statewide greenhouse gas emissions limit equivalent to the statewide greenhouse gas emissions levels in 1990 to be achieved by 2020, as specified. The bill would also require the state board to establish by January 1, 2010, enforceable interim emissions limits, to become operative on January 1, 2012, and January 1, 2016, that progressively reduce emissions levels to contribute to meeting the 2020 limit, as specified. The bill would require the state board to adopt greenhouse gas emissions measures, as defined, by regulation in order to achieve the maximum feasible reductions in greenhouse gas emissions to meet the statewide emissions limit rules and regulations in an open public process to achieve the maximum technologically feasible and cost-effective greenhouse gas emission reductions, as specified. The bill would authorize the state board to adopt market-based compliance mechanisms, as defined, meeting specified requirements. The bill would require the state board to monitor compliance with and enforce any rule, regulation, order, emission limitation, emissions reduction measure, or market-based compliance mechanism adopted by the state board, pursuant to specified provisions of existing law. The bill would authorize the state board to adopt a schedule of fees to be paid by regulated sources of greenhouse gas emissions, as specified.~~

Because the bill would require the state board to establish emissions limits and other requirements, the violation of which would be a crime, this bill would create a state-mandated local program.

~~(2) Under existing law the Energy Commission, in consultation with certain state agencies, departments, and boards with jurisdiction over matters affecting climate change, is required, by January 1, 2002, to update the inventory of greenhouse gas emissions from all sources located in the state, as identified in a specified report, to update its inventory every 5 years, and to report on the updated inventory to the Governor and the Legislature. Existing law requires the Energy Commission to conduct at least one public workshop prior to finalizing each updated inventory and to post its report and inventory on the Internet. Existing law additionally requires the Energy Commission to convene an interagency task force consisting of state agencies with jurisdiction over matters affecting climate change to ensure policy coordination for those activities, and to establish a climate change advisory committee, as provided, to make recommendations to the Energy Commission on the most equitable~~

~~and efficient ways to implement international and national climate change requirements, as provided.~~

~~This bill would delete the above-described requirements and instead transfer the duty of preparing an inventory of greenhouse gas emissions, as specified, from the Energy Commission to the state board.~~

~~(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.~~

~~This bill would provide that no reimbursement is required by this act for a specified reason.~~

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

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

1 *SECTION 1. Division 25.5 (commencing with Section 38500)*
2 *is added to the Health and Safety Code, to read:*

3
4 *DIVISION 25.5. CALIFORNIA GLOBAL WARMING*
5 *SOLUTIONS ACT OF 2006*

6
7 *PART 1. GENERAL PROVISIONS*

8
9 *CHAPTER 1. TITLE OF DIVISION*

10
11 *38500. This division shall be known, and may be cited, as the*
12 *California Global Warming Solutions Act of 2006.*

13
14 *CHAPTER 2. FINDINGS AND DECLARATIONS*

15
16 *38501. The Legislature finds and declares all of the*
17 *following:*

18 *(a) Global warming poses a serious threat to the economic*
19 *well-being, public health, natural resources, and the environment*
20 *of California. The potential adverse impacts of global warming*
21 *include the exacerbation of air quality problems, a reduction in*
22 *the quality and supply of water to the state from the Sierra snow*
23 *pack, a rise in sea levels resulting in the displacement of*

1 thousands of coastal businesses and residences, damage to
2 marine ecosystems and the natural environment, and an increase
3 in the incidences of infectious diseases, asthma, and other human
4 health related problems.

5 (b) Global warming will have detrimental effects on some of
6 California's largest industries, including agriculture, wine,
7 tourism, skiing, recreational and commercial fishing, and
8 forestry. It will also increase the strain on electricity supplies
9 necessary to meet the demand for summer air-conditioning in the
10 hottest parts of the state.

11 (c) California has long been a national and international
12 leader on energy conservation and environmental stewardship
13 efforts, including the areas of air quality protections, energy
14 efficiency requirements, renewable energy standards, natural
15 resource conservation, and greenhouse gas emission standards
16 for passenger vehicles. The program established by this division
17 will continue this tradition of environmental leadership by
18 placing California at the forefront of national and international
19 efforts to reduce emissions of greenhouse gases.

20 (d) National and international actions are necessary to fully
21 address the issue of global warming. However, action taken by
22 California to reduce emissions of greenhouse gases will have
23 far-reaching effects by encouraging other states, the federal
24 government, and other countries to act.

25 (e) By exercising a global leadership role, California will also
26 position its economy, technology centers, financial institutions,
27 and businesses to benefit from national and international efforts
28 to reduce emissions of greenhouse gases. More importantly,
29 investing in the development of innovative and pioneering
30 technologies will assist California in achieving the 2020
31 statewide limit on emissions of greenhouse gases established by
32 this division and will provide an opportunity for the state to take
33 a global economic and technological leadership role in reducing
34 emissions of greenhouse gases.

35 (f) It is the intent of the Legislature that the State Air
36 Resources Board coordinate with state agencies, as well as
37 consult with the environmental justice community, industry
38 sectors, business groups, academic institutions, environmental
39 organizations, and other stakeholders in implementing this
40 division.

1 (g) *It is the intent of the Legislature that the State Air*
 2 *Resources Board consult with the Public Utilities Commission in*
 3 *the development of emissions reduction measures, including*
 4 *limits on emissions of greenhouse gases applied to electricity and*
 5 *natural gas providers regulated by the Public Utilities*
 6 *Commission in order to ensure that electricity and natural gas*
 7 *providers are not required to meet duplicative or inconsistent*
 8 *regulatory requirements.*

9 (h) *It is the intent of the Legislature that the State Air*
 10 *Resources Board design emissions reduction measures to meet*
 11 *the statewide emissions limits for greenhouse gases established*
 12 *pursuant to this division in a manner that minimizes costs and*
 13 *maximizes benefits for California's economy, improves and*
 14 *modernizes California's energy infrastructure and maintains*
 15 *electric system reliability, maximizes additional environmental*
 16 *and economic co-benefits for California, and complements the*
 17 *state's efforts to improve air quality.*

18 (i) *It is the intent of the Legislature that the Climate Action*
 19 *Team established by the Governor to coordinate the efforts set*
 20 *forth under Executive Order S-3-05 continue its role in*
 21 *coordinating overall climate policy.*

22

23 *CHAPTER 3. DEFINITIONS*

24

25 38505. *For the purposes of this division, the following terms*
 26 *have the following meanings:*

27 (a) *“Allowance” means an authorization to emit, during a*
 28 *specified year, up to one ton of carbon dioxide equivalent.*

29 (b) *“Alternative compliance mechanism” means an action*
 30 *undertaken by a greenhouse gas emission source that achieves*
 31 *the equivalent reduction of greenhouse gas emissions over the*
 32 *same time period as a direct emission reduction, and that is*
 33 *approved by the state board. “Alternative compliance*
 34 *mechanism” includes, but is not limited to, a flexible compliance*
 35 *schedule, alternative control technology, a process change, or a*
 36 *product substitution.*

37 (c) *“Carbon dioxide equivalent” means the amount of carbon*
 38 *dioxide by weight that would produce the same global warming*
 39 *impact as a given weight of another greenhouse gas, based on*

1 *the best available science, including from the Intergovernmental*
2 *Panel on Climate Change.*

3 (d) *“Cost-effective” or “cost-effectiveness” means the cost*
4 *per unit of reduced emissions of greenhouse gases adjusted for*
5 *its global warming potential.*

6 (e) *“Direct emission reduction” means a greenhouse gas*
7 *emission reduction action made by a greenhouse gas emission*
8 *source at that source.*

9 (f) *“Emissions reduction measure” means programs,*
10 *measures, standards, and alternative compliance mechanisms*
11 *authorized pursuant to this division, applicable to sources or*
12 *categories of sources, that are designed to reduce emissions of*
13 *greenhouse gases.*

14 (g) *“Greenhouse gas” or “greenhouse gases” includes all of*
15 *the following gases: carbon dioxide, methane, nitrous oxide,*
16 *hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride.*

17 (h) *“Greenhouse gas emissions limit” means an authorization,*
18 *during a specified year, to emit up to a level of greenhouse gases*
19 *specified by the state board, expressed in tons of carbon dioxide*
20 *equivalents.*

21 (i) *“Greenhouse gas emission source” or “source” means any*
22 *source, or category of sources, of greenhouse gas emissions*
23 *whose emissions are at a level of significance, as determined by*
24 *the state board, that its participation in the program established*
25 *under this division will enable the state board to effectively*
26 *reduce greenhouse gas emissions and monitor compliance with*
27 *the statewide greenhouse gas emissions limit.*

28 (j) *“Leakage” means a reduction in emissions of greenhouse*
29 *gases within the state that is offset by an increase in emissions of*
30 *greenhouse gases outside the state.*

31 (k) *“Market-based compliance mechanism” means either of*
32 *the following:*

33 (1) *A system of market-based declining annual aggregate*
34 *emissions limitations for sources or categories of sources that*
35 *emit greenhouse gases.*

36 (2) *Greenhouse gas emissions exchanges, banking, credits,*
37 *and other transactions, governed by rules and protocols*
38 *established by the state board, that result in the same greenhouse*
39 *gas emission reduction, over the same time period, as direct*
40 *compliance with a greenhouse gas emission limit or emission*

1 reduction measure adopted by the state board pursuant to this
2 division.

3 (l) “State board” means the State Air Resources Board.

4 (m) “Statewide greenhouse gas emissions” means the total
5 annual emissions of greenhouse gases in the state, including all
6 emissions of greenhouse gases from the generation of electricity
7 delivered to and consumed in California, accounting for
8 transmission and distribution line losses, whether the electricity
9 is generated in state or imported. Statewide emissions shall be
10 expressed in tons of carbon dioxide equivalents.

11 (n) “Statewide greenhouse gas emissions limit” or “statewide
12 emissions limit” means the maximum allowable level of
13 statewide greenhouse gas emissions in 2020, as determined by
14 the state board pursuant to Part 3 (commencing with Section
15 38850).

16
17 *CHAPTER 4. ROLE OF STATE BOARD*

18

19 38510. *The State Air Resources Board is the state agency*
20 *charged with monitoring and regulating sources of emissions of*
21 *greenhouse gases that cause global warming in order to reduce*
22 *emissions of greenhouse gases.*

23

24 *PART 2. MANDATORY GREENHOUSE GAS EMISSIONS*
25 *REPORTING*

26

27 38530. (a) *On or before January 1, 2008, the state board*
28 *shall adopt regulations to require the reporting and verification*
29 *of statewide greenhouse gas emissions and to monitor and*
30 *enforce compliance with this program.*

31 (b) *The regulations shall do all of the following:*

32 (1) *Require the monitoring and annual reporting of*
33 *greenhouse gas emissions from greenhouse gas emission sources*
34 *beginning with the sources or categories of sources that*
35 *contribute the most to statewide emissions.*

36 (2) *Account for greenhouse gas emissions from all electricity*
37 *consumed in the state, including transmission and distribution*
38 *line losses from electricity generated within the state or imported*
39 *from outside the state. This requirement applies to all retail*
40 *sellers of electricity, including load-serving entities as defined in*

1 *subdivision (j) of Section 380 of the Public Utilities Code and*
2 *local publicly owned electric utilities as defined in Section 9604*
3 *of the Public Utilities Code.*

4 *(3) Where appropriate and to the maximum extent feasible,*
5 *incorporate the standards and protocols developed by the*
6 *California Climate Action Registry, established pursuant to*
7 *Chapter 6 (commencing with Section 42800) of Part 4 of*
8 *Division 26. Entities that voluntarily participated in the*
9 *California Climate Action Registry prior to December 31, 2006,*
10 *and have developed a greenhouse gas emission reporting*
11 *program, shall not be required to significantly alter their*
12 *reporting or verification program except as necessary to ensure*
13 *that reporting is complete and verifiable for the purposes of*
14 *compliance with this division as determined by the state board.*

15 *(4) Ensure rigorous and consistent accounting of emissions,*
16 *and provide reporting tools and formats to ensure collection of*
17 *necessary data.*

18 *(5) Ensure that greenhouse gas emission sources maintain*
19 *comprehensive records of all reported greenhouse gas emissions.*

20 *(c) The state board shall do both of the following:*

21 *(1) Periodically review and update its emission reporting*
22 *requirements, as necessary.*

23 *(2) Review existing and proposed international, federal, and*
24 *state greenhouse gas emission reporting programs and make*
25 *reasonable efforts to promote consistency among the programs*
26 *established pursuant to this part and other programs, and to*
27 *streamline reporting requirements on greenhouse gas emission*
28 *sources.*

29

30 **PART 3. STATEWIDE GREENHOUSE GAS EMISSIONS LIMIT**

31

32 *38550. By January 1, 2008, the state board shall, after one or*
33 *more public workshops, with public notice, and an opportunity*
34 *for all interested parties to comment, determine what the*
35 *statewide greenhouse gas emissions level was in 1990, and*
36 *approve in a public hearing, a statewide greenhouse gas*
37 *emissions limit that is equivalent to that level, to be achieved by*
38 *2020. In order to ensure the most accurate determination*
39 *feasible, the state board shall evaluate the best available*
40 *scientific, technological, and economic information on*

1 *greenhouse gas emissions to determine the 1990 level of*
2 *greenhouse gas emissions.*

3 *38551. (a) The statewide greenhouse gas emissions limit*
4 *shall remain in effect unless otherwise amended or repealed.*

5 *(b) It is the intent of the Legislature that the statewide*
6 *greenhouse gas emissions limit continue in existence and be used*
7 *to maintain and continue reductions in emissions of greenhouse*
8 *gases beyond 2020.*

9 *(c) The state board shall make recommendations to the*
10 *Governor and the Legislature on how to continue reductions of*
11 *greenhouse gas emissions beyond 2020.*

12

13 **PART 4. GREENHOUSE GAS EMISSIONS REDUCTIONS**

14

15 *38560. The state board shall adopt rules and regulations in*
16 *an open public process to achieve the maximum technologically*
17 *feasible and cost-effective greenhouse gas emission reductions*
18 *from sources or categories of sources, subject to the criteria and*
19 *schedules set forth in this part.*

20 *38560.5. (a) On or before June 30, 2007, the state board*
21 *shall publish and make available to the public a list of discrete*
22 *early action greenhouse gas emission reduction measures that*
23 *can be implemented prior to the measures and limits adopted*
24 *pursuant to Section 38562.*

25 *(b) On or before January 1, 2010, the state board shall adopt*
26 *regulations to implement the measures identified on the list*
27 *published pursuant to subdivision (a).*

28 *(c) The regulations adopted by the state board pursuant to this*
29 *section shall achieve the maximum technologically feasible and*
30 *cost-effective reductions in greenhouse gas emissions from those*
31 *sources or categories of sources, in furtherance of achieving the*
32 *statewide greenhouse gas emissions limit.*

33 *(d) The regulations adopted pursuant to this section shall be*
34 *enforceable no later than January 1, 2010.*

35 *38561. (a) On or before January 1, 2009, the state board*
36 *shall prepare and approve a scoping plan, as that term is*
37 *understood by the state board, for achieving the maximum*
38 *technologically feasible and cost-effective reductions in*
39 *greenhouse gas emissions from sources or categories of sources*
40 *of greenhouse gases by 2020 under this division. The state board*

1 shall consult with all state agencies with jurisdiction over
2 sources of greenhouse gases, including the Public Utilities
3 Commission and the State Energy Resources Conservation and
4 Development Commission, on all elements of its plan that pertain
5 to energy related matters including, but not limited to, electrical
6 generation, load based standards or requirements, the provision
7 of reliable and affordable electrical service, petroleum refining,
8 and statewide fuel supplies to ensure the greenhouse gas
9 emissions reduction activities to be adopted and implemented by
10 the state board are complementary, non-duplicative, and can be
11 implemented in an efficient and cost-effective manner.

12 (b) The plan shall identify and make recommendations on
13 direct emission reduction measures, alternative compliance
14 mechanisms, market-based compliance mechanisms, and
15 potential monetary and non-monetary incentives for sources and
16 categories of sources that the state board finds are necessary or
17 desirable to facilitate the achievement of the maximum feasible
18 and cost-effective reductions of greenhouse gas emissions by
19 2020.

20 (c) In making the determinations required by subdivision (b),
21 the state board shall consider all relevant information pertaining
22 to greenhouse gas emissions reduction programs in other states,
23 localities, and nations, including the northeastern states of the
24 United States, Canada, and the European Union.

25 (d) The state board shall evaluate the total potential costs and
26 total potential economic and noneconomic benefits of the plan
27 for reducing greenhouse gases to California's economy,
28 environment, and public health, using the best available
29 economic models, emission estimation techniques, and other
30 scientific methods.

31 (e) In developing its plan, the state board shall take into
32 account the relative contribution of each source or source
33 category to statewide greenhouse gas emissions, and the
34 potential for adverse effects on small businesses, and shall
35 recommend a de minimis threshold of greenhouse gas emissions
36 below which emission reduction requirements will not apply.

37 (f) In developing its plan, the state board shall identify
38 opportunities for emission reductions measures from all
39 verifiable and enforceable voluntary actions, including, but not

1 *limited to, carbon sequestration projects and best management*
2 *practices.*

3 *(g) The state board shall conduct a series of public workshops*
4 *to give interested parties an opportunity to comment on the plan.*
5 *The state board shall conduct a portion of these workshops in*
6 *regions of the state that have the most significant exposure to air*
7 *pollutants, including, but not limited to, communities with*
8 *minority populations, communities with low-income populations,*
9 *or both.*

10 *(h) The state board shall update its plan for achieving the*
11 *maximum technologically feasible and cost-effective reductions*
12 *of greenhouse gas emissions at least once every five years.*

13 38562. *(a) On or before January 1, 2011, the state board*
14 *shall adopt greenhouse gas emission limits and emission*
15 *reduction measures by regulation to achieve the maximum*
16 *technologically feasible and cost-effective reductions in*
17 *greenhouse gas emissions in furtherance of achieving the*
18 *statewide greenhouse gas emissions limit, to become operative*
19 *beginning on January 1, 2012.*

20 *(b) In adopting regulations pursuant to this section and Part 5*
21 *(commencing with Section 38570), to the extent feasible and in*
22 *furtherance of achieving the statewide greenhouse gas emissions*
23 *limit, the state board shall do all of the following:*

24 *(1) Design the regulations, including distribution of emissions*
25 *allowances where appropriate, in a manner that is equitable,*
26 *seeks to minimize costs and maximize the total benefits to*
27 *California, and encourages early action to reduce greenhouse*
28 *gas emissions.*

29 *(2) Ensure that activities undertaken to comply with the*
30 *regulations do not disproportionately impact low-income*
31 *communities.*

32 *(3) Ensure that entities that have voluntarily reduced their*
33 *greenhouse gas emissions prior to the implementation of this*
34 *section receive appropriate credit for early voluntary reductions.*

35 *(4) Ensure that activities undertaken pursuant to the*
36 *regulations complement, and do not interfere with, efforts to*
37 *achieve and maintain federal and state ambient air quality*
38 *standards and to reduce toxic air contaminant emissions.*

39 *(5) Consider cost-effectiveness of these regulations.*

1 (6) Consider overall societal benefits, including reductions in
2 other air pollutants, diversification of energy sources, and other
3 benefits to the economy, environment, and public health.

4 (7) Minimize the administrative burden of implementing and
5 complying with these regulations.

6 (8) Minimize leakage.

7 (9) Consider the significance of the contribution of each
8 source or category of sources to statewide emissions of
9 greenhouse gases.

10 (c) In furtherance of achieving the statewide greenhouse gas
11 emissions limit, by January 1, 2011, the state board may adopt a
12 regulation that establishes a system of market-based declining
13 annual aggregate emission limits for sources or categories of
14 sources that emit greenhouse gas emissions, applicable from
15 January 1, 2012, to December 31, 2020, inclusive, that the state
16 board determines will achieve the maximum technologically
17 feasible and cost-effective reductions in greenhouse gas
18 emissions, in the aggregate, from those sources or categories of
19 sources.

20 (d) Any regulation adopted by the state board pursuant to this
21 part or Part 5 (commencing with Section 38570) shall ensure all
22 of the following:

23 (1) The greenhouse gas emission reductions achieved are real,
24 permanent, quantifiable, verifiable, and enforceable by the state
25 board.

26 (2) For regulations pursuant to Part 5 (commencing with
27 Section 38570), the reduction is in addition to any greenhouse
28 gas emission reduction otherwise required by law or regulation,
29 and any other greenhouse gas emission reduction that otherwise
30 would occur.

31 (3) If applicable, the greenhouse gas emission reduction
32 occurs over the same time period and is equivalent in amount to
33 any direct emission reduction required pursuant to this division.

34 (e) The state board shall rely upon the best available
35 economic and scientific information and its assessment of
36 existing and projected technological capabilities when adopting
37 the regulations required by this section.

38 (f) The state board shall consult with the Public Utilities
39 Commission in the development of the regulations as they affect

1 *electricity and natural gas providers in order to minimize*
2 *duplicative or inconsistent regulatory requirements.*

3 *(g) After January 1, 2011, the state board may revise*
4 *regulations adopted pursuant to this section and adopt additional*
5 *regulations to further the provisions of this division.*

6 *38563. Nothing in this division restricts the state board from*
7 *adopting greenhouse gas emission limits or emission reduction*
8 *measures prior to January 1, 2011, imposing those limits or*
9 *measures prior to January 1, 2012, or providing early reduction*
10 *credit where appropriate.*

11 *38564. The state board shall consult with other states, and*
12 *the federal government, and other nations to identify the most*
13 *effective strategies and methods to reduce greenhouse gases,*
14 *manage greenhouse gas control programs, and to facilitate the*
15 *development of integrated and cost-effective regional, national,*
16 *and international greenhouse gas reduction programs.*

17 *38565. The state board shall ensure that the greenhouse gas*
18 *emission reduction rules, regulations, programs, mechanisms,*
19 *and incentives under its jurisdiction, where applicable and to the*
20 *extent feasible, direct public and private investment toward the*
21 *most disadvantaged communities in California and provide an*
22 *opportunity for small businesses, schools, affordable housing*
23 *associations, and other community institutions to participate in*
24 *and benefit from statewide efforts to reduce greenhouse gas*
25 *emissions.*

26

27 **PART 5. MARKET-BASED COMPLIANCE MECHANISMS**

28

29 *38570. (a) The state board may include in the regulations*
30 *adopted pursuant to Section 38562 the use of market-based*
31 *compliance mechanisms to comply with the regulations.*

32 *(b) Prior to the inclusion of any market-based compliance*
33 *mechanism in the regulations, to the extent feasible and in*
34 *furtherance of achieving the statewide greenhouse gas emissions*
35 *limit, the state board shall do all of the following:*

36 *(1) Consider the potential for direct, indirect, and cumulative*
37 *emission impacts from these mechanisms, including localized*
38 *impacts in communities that are already adversely impacted by*
39 *air pollution.*

1 (2) *Design any market-based compliance mechanism to*
2 *prevent any increase in the emissions of toxic air contaminants*
3 *or criteria air pollutants.*

4 (3) *Maximize additional environmental and economic benefits*
5 *for California, as appropriate.*

6 (c) *The state board shall adopt regulations governing how*
7 *market-based compliance mechanisms may be used by regulated*
8 *entities subject to greenhouse gas emission limits and mandatory*
9 *emission reporting requirements to achieve compliance with*
10 *their greenhouse gas emissions limits.*

11 38571. *The state board shall adopt methodologies for the*
12 *quantification of voluntary greenhouse gas emission reductions.*
13 *The state board shall adopt regulations to verify and enforce any*
14 *voluntary greenhouse gas emission reductions that are*
15 *authorized by the state board for use to comply with greenhouse*
16 *gas emission limits established by the state board. The adoption*
17 *of methodologies is exempt from the rulemaking provisions of the*
18 *Administrative Procedure Act (Chapter 3.5 (commencing with*
19 *Section 11340) of Part 1 of Division 3 of Title 2 of the*
20 *Government Code).*

21 38574. *Nothing in this part or Part 4 (commencing with*
22 *Section 38560) confers any authority on the state board to alter*
23 *any programs administered by other state agencies for the*
24 *reduction of greenhouse gas emissions.*

25

26

PART 6. ENFORCEMENT

27

28 38580. (a) *The state board shall monitor compliance with*
29 *and enforce any rule, regulation, order, emission limitation,*
30 *emissions reduction measure, or market-based compliance*
31 *mechanism adopted by the state board pursuant to this division.*

32 (b) (1) *Any violation of any rule, regulation, order, emission*
33 *limitation, emissions reduction measure, or other measure*
34 *adopted by the state board pursuant to this division may be*
35 *enjoined pursuant to Section 41513, and the violation is subject*
36 *to those penalties set forth in Article 3 (commencing with Section*
37 *42400) of Chapter 4 of Part 4 of, and Chapter 1.5 (commencing*
38 *with Section 43025) of Part 5 of, Division 26.*

39 (2) *Any violation of any rule, regulation, order, emission*
40 *limitation, emissions reduction measure, or other measure*

1 *adopted by the state board pursuant to this division shall be*
2 *deemed to result in an emission of an air contaminant for the*
3 *purposes of the penalty provisions of Article 3 (commencing with*
4 *Section 42400) of Chapter 4 of Part 4 of, and Chapter 1.5*
5 *(commencing with Section 43025) of Part 5 of, Division 26.*

6 *(3) The state board may develop a method to convert a*
7 *violation of any rule, regulation, order, emission limitation, or*
8 *other emissions reduction measure adopted by the state board*
9 *pursuant to this division into the number of days in violation,*
10 *where appropriate, for the purposes of the penalty provisions of*
11 *Article 3 (commencing with Section 42400) of Chapter 4 of Part*
12 *4 of, and Chapter 1.5 (commencing with Section 43025) of Part 5*
13 *of, Division 26.*

14 *(c) Section 42407 and subdivision (i) of Section 42410 shall*
15 *not apply to this part.*

16
17 **PART 7. MISCELLANEOUS PROVISIONS**
18

19 *38590. If the regulations adopted pursuant to Section*
20 *43018.5 do not remain in effect, the state board shall implement*
21 *alternative regulations to control mobile sources of greenhouse*
22 *gas emissions to achieve equivalent or greater reductions.*

23 *38591. (a) The state board, by July 1, 2007, shall convene an*
24 *environmental justice advisory committee, of at least three*
25 *members, to advise it in developing the scoping plan pursuant to*
26 *Section 38561 and any other pertinent matter in implementing*
27 *this division. The advisory committee shall be comprised of*
28 *representatives from communities in the state with the most*
29 *significant exposure to air pollution, including, but not limited to,*
30 *communities with minority populations or low-income*
31 *populations, or both.*

32 *(b) The state board shall appoint the advisory committee*
33 *members from nominations received from environmental justice*
34 *organizations and community groups.*

35 *(c) The state board shall provide reasonable per diem for*
36 *attendance at advisory committee meetings by advisory*
37 *committee members from nonprofit organizations.*

38 *(d) The state board shall appoint an Economic and*
39 *Technology Advancement Advisory Committee to advise the state*
40 *board on activities that will facilitate investment in and*

1 *implementation of technological research and development*
2 *opportunities, including, but not limited to, identifying new*
3 *technologies, research, demonstration projects, funding*
4 *opportunities, developing state, national, and international*
5 *partnerships and technology transfer opportunities, and*
6 *identifying and assessing research and advanced technology*
7 *investment and incentive opportunities that will assist in the*
8 *reduction of greenhouse gas emissions. The committee may also*
9 *advise the state board on state, regional, national, and*
10 *international economic and technological developments related*
11 *to greenhouse gas emission reductions.*

12 38592. (a) *All state agencies shall consider and implement*
13 *strategies to reduce their greenhouse gas emissions.*

14 (b) *Nothing in this division shall relieve any person, entity, or*
15 *public agency of compliance with other applicable federal, state,*
16 *or local laws or regulations, including state air and water quality*
17 *requirements, and other requirements for protecting public*
18 *health or the environment.*

19 38593. (a) *Nothing in this division affects the authority of the*
20 *Public Utilities Commission.*

21 (b) *Nothing in this division affects the obligation of an*
22 *electrical corporation to provide customers with safe and*
23 *reliable electric service.*

24 38594. *Nothing in this division shall limit or expand the*
25 *existing authority of any district, as defined in Section 39025.*

26 38595. *Nothing in this division shall preclude, prohibit, or*
27 *restrict the construction of any new facility or the expansion of*
28 *an existing facility subject to regulation under this division, if all*
29 *applicable requirements are met and the facility is in compliance*
30 *with regulations adopted pursuant to this division.*

31 38596. *The provisions of this division are severable. If any*
32 *provision of this division or its application is held invalid, that*
33 *invalidity shall not affect other provisions or applications that*
34 *can be given effect without the invalid provision or application.*

35 38597. *The state board may adopt by regulation, after a*
36 *public workshop, a schedule of fees to be paid by the sources of*
37 *greenhouse gas emissions regulated pursuant to this division,*
38 *consistent with Section 57001. The revenues collected pursuant*
39 *to this section, shall be deposited into the Air Pollution Control*

1 *Fund and are available upon appropriation, by the Legislature,*
2 *for purposes of carrying out this division.*

3 38598. (a) *Nothing in this division shall limit the existing*
4 *authority of a state entity to adopt and implement greenhouse gas*
5 *emissions reduction measures.*

6 (b) *Nothing in this division shall relieve any state entity of its*
7 *legal obligations to comply with existing law or regulation.*

8 38599. (a) *In the event of extraordinary circumstances,*
9 *catastrophic events, or threat of significant economic harm, the*
10 *Governor may adjust the applicable deadlines for individual*
11 *regulations, or for the state in the aggregate, to the earliest*
12 *feasible date after that deadline.*

13 (b) *The adjustment period may not exceed one year unless the*
14 *Governor makes an additional adjustment pursuant to*
15 *subdivision (a).*

16 (c) *Nothing in this section affects the powers and duties*
17 *established in the California Emergency Services Act (Chapter 7*
18 *commencing with Section 8550) of Division 1 of Title 2 of the*
19 *Government Code).*

20 (d) *The Governor shall, within 10 days of invoking subdivision*
21 *(a), provide written notification to the Legislature of the action*
22 *undertaken.*

23 *SEC. 2 No reimbursement is required by this act pursuant to*
24 *Section 6 of Article XIII B of the California Constitution because*
25 *the only costs that may be incurred by a local agency or school*
26 *district will be incurred because this act creates a new crime or*
27 *infraction, eliminates a crime or infraction, or changes the*
28 *penalty for a crime or infraction, within the meaning of Section*
29 *17556 of the Government Code, or changes the definition of a*
30 *crime within the meaning of Section 6 of Article XIII B of the*
31 *California Constitution.*

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**All matter omitted in this version of the bill
appears in the bill as amended in Senate,
August 23, 2006 (JR11)**