

Assembly Bill No. 1430

CHAPTER 851

An act to amend Section 39607.5 of the Health and Safety Code, relating to air resources.

[Approved by Governor September 30, 2006. Filed with
Secretary of State September 30, 2006.]

LEGISLATIVE COUNSEL'S DIGEST

AB 1430, Goldberg. Air Contaminants.

Existing law requires the State Air Resources Board to develop and adopt, at a public hearing, a methodology for use by air pollution control districts and air quality management districts to calculate the value of credits issued for emission reductions from stationary, mobile, indirect, and areawide sources, including those issued under market-based incentive programs, when those credits are used interchangeably, with certain requirements. Existing law specifies that the state board shall perform specified functions in developing the methodology. Existing law also requires the state board to periodically update the methodology as it applies to future transactions, if necessary.

This bill would require the state board's environmental justice advisory committee to review each updated methodology.

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

SECTION 1. Section 39607.5 of the Health and Safety Code is amended to read:

39607.5. (a) The state board shall develop, and adopt in a public hearing, a methodology for use by districts to calculate the value of credits issued for emission reductions from stationary, mobile, indirect, and areawide sources, including those issued under market-based incentive programs, when those credits are used interchangeably.

(b) In developing the methodology, the state board shall do all of the following:

(1) Ensure that the methodology results in the maintenance and improvement of air quality consistent with this division.

(2) Allow those credits to be used in a market-based incentive program adopted pursuant to Section 39616 that requires annual reductions in emissions through declining annual allocations, and allow the use of all of those credits, including those from a market-based incentive program, to meet other stationary or mobile source requirements that do not expressly prohibit that use.

- (3) Ensure that the methodology does not do any of the following:
 - (A) Result in the crediting of air emissions that already have been identified as emission reductions necessary to achieve state and federal ambient air quality standards.
 - (B) Provide for an additional discount of credits solely as a result of emission reduction credits trading if a district already has discounted the credit as part of its process of identifying and granting those credits to sources.
 - (C) Otherwise provide for double-counting emission reductions.
- (4) Consult with, and consider the suggestions of, the public and all interested parties, including, but not limited to, the California Air Pollution Control Officers Association and all affected regulated entities.
- (5) Ensure that any credits, whether they are derived from stationary, mobile, indirect, or areawide sources, shall be permanent, enforceable, quantifiable, and surplus.
- (6) Ensure that any credits derived from a market-based incentive program adopted pursuant to Section 39616 are permanent, enforceable, quantifiable, and are in addition to any required controls, unless those credits otherwise comply with paragraph (2).
- (7) Consider all of the following factors:
 - (A) How long credits should be valid.
 - (B) Whether, and which, banking opportunities may exist for credits.
 - (C) How to provide flexibility to sources seeking to use credits so that they remain interchangeable and negotiable until used.
 - (D) How to ensure a viable trading process for sources wishing to trade credits consistent with this section.
 - (E) How to ensure that, if credits may be used within and between adjacent districts or air basins where sources are in proximity to one another, the use occurs while maintaining and improving air quality in both districts or air basins.
- (c) If necessary, the state board shall periodically update the methodology as it applies to future transactions. The state board's environmental justice advisory committee shall review each updated methodology.
- (d) The state board shall periodically review each district's emission reduction and credit trading programs to ensure that the programs comply with the methodology developed pursuant to this section.
- (e) The state board shall post on its Web site, at a minimum by January 1 each year, actions taken by the state board to implement this section.