

AMENDED IN ASSEMBLY APRIL 13, 2011

AMENDED IN ASSEMBLY MARCH 9, 2011

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 638

Introduced by Assembly Member Skinner

February 16, 2011

An act to amend Section 25720 of the Public Resources Code, relating to fuel resources, and to add Section 43867.5 to the Health and Safety Code, relating to fuel resources.

LEGISLATIVE COUNSEL'S DIGEST

AB 638, as amended, Skinner. Fuel resources: State Energy Resources Conservation and Development Commission. *Commission and State Air Resources Board.*

Existing law requires the State Energy Resources Conservation and Development Commission (~~Energy Commission~~) to examine the feasibility of operating a strategic fuel reserve and recommend an appropriate level of reserves. Existing law also requires the Energy Commission (*commission*) and the State Air Resources Board (*board*), in consultation with other state and local agencies the commission deems necessary, to develop and adopt recommendations for the Governor and Legislature on a California Strategy to Reduce Petroleum Dependence. *Existing law also requires the commission, in partnership with the board, to develop and adopt a state plan to increase the use of alternative transportation fuels.*

This bill would require the commission and the board to, among other things, *adopt policies and regulations to attain the fuel consumption targets set forth in the strategy as efficiently as possible state plan to increase the use of alternative transportation fuels*, coordinate the

attainment of the targets with provisions regulating alternative fuels, and ~~require all assess how future guidelines, regulations and guidelines to maximize, and investments affect~~ the attainment of the fuel consumption targets. The bill would ~~also~~ require the commission and the board, on or before January 1, 2013, in consultation with other state and local agencies the commission ~~deems and the board deem~~ necessary, to ~~adopt a series of interim actions to reduce petroleum fuel consumption by 15% below the 2003 levels by 2020 and increase alternative fuel consumption to 26% by 2022. update a specified economic analysis, develop a strategy for petroleum fuel use reduction and alternative fuel use in specified vehicles, and identify regulatory and statutory barriers to attaining the petroleum fuel consumption targets. The bill would require the commission and the board, commencing January 1, 2014, and triennially thereafter until January 1, 2024, to report to the Legislature on progress in reaching the fuel consumption targets.~~

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. Section 43867.5 is added to the Health and Safety
- 2 Code, to read:
- 3 43867.5. (a) The Legislature finds and declares all of the
- 4 following:
- 5 (1) The State of California overwhelmingly relies on a single
- 6 source of fuel, petroleum, for its transportation needs, and nearly
- 7 half of that petroleum comes from overseas. This over-reliance on
- 8 petroleum leaves Californians vulnerable to supply interruptions
- 9 and price instabilities, and it leaves consumers with essentially
- 10 no options for alternative transportation fuels.
- 11 (2) Californians spend over 20 billion dollars each year on
- 12 petroleum fuel imports, representing a significant missed economic
- 13 opportunity.
- 14 (3) A 2003 joint report by the State Energy Resources
- 15 Conservation and Development Commission and the state board,
- 16 titled “Reducing California’s Petroleum Dependence,” was
- 17 adopted pursuant in Section 25720 of the Public Resources Code
- 18 and outlined a statewide strategy to reduce California’s on-road
- 19 consumption of petroleum-based fuels. The strategy aims to reduce
- 20 demand by at least 15 percent below the 2003 level by 2020 and

1 to maintain that demand level, less than 15 billion gasoline gallon
2 equivalents per year, for the foreseeable future. The report includes
3 a recommendation that the Legislature codify this target as a
4 statewide goal.

5 (4) According to the State Board of Equalization, California's
6 nonaviation sector consumed 18.7 billion gasoline gallon
7 equivalents in 2003 and 16.6 billion gasoline gallon equivalents
8 in 2010; this represents a 13 percent reduction below the 2003
9 level.

10 (5) The "State Alternative Fuels Plan," which was adopted by
11 the state board and the State Energy Resources Conservation and
12 Development Commission pursuant to Section 43866 of the Health
13 and Safety Code, outlined specific strategies that would increase
14 the use of alternative and nonpetroleum fuels. The strategy set a
15 target of 26 percent penetration for alternative fuel use in on-road
16 and off-road vehicles by 2022, projected to be approximately 5.3
17 billion gasoline gallon equivalents displaced that year.

18 (6) In 2007, alternative fuels accounted for less than 5 percent
19 of the transportation sector's consumption.

20 (7) Therefore, it is in the interest of the state to codify petroleum
21 reduction and alternative fuels usage goals that will help guide
22 California down a path to transportation energy security, improve
23 environmental quality, reduce fuel price volatility, and demonstrate
24 California's continued leadership in reducing greenhouse gas
25 emissions.

26 (b) The state board and the State Energy Resources
27 Conservation and Development Commission shall do all of the
28 following:

29 (1) Coordinate efforts to implement this article and Section
30 25720 of the Public Resources Code. The state board and the State
31 Energy Resources Conservation and Development Commission
32 may consider synergies between new or existing programs,
33 projects, investments, or regulations that may accelerate attainment
34 or maintenance of the targets.

35 (2) Adopt polices and regulations to attain the following targets:

36 (A) By 2020, reduce onroad petroleum fuel use by at least 15
37 percent below the 2003 level, and maintain that level into the
38 foreseeable future.

1 (B) By 2022, increase the use of alternative transportation fuels
2 to at least 26 percent of total onroad and offroad vehicle fuel use
3 in the state.

4 (3) Assess how future guidelines, regulations, and investments,
5 where appropriate, affect the petroleum reduction and alternative
6 fuel usage targets in paragraph (2).

7 (c) On or before January 1, 2013, the state board and the State
8 Energy Resources Conservation and Development Commission,
9 in consultation with other state and local agencies, as the state
10 board or the commission may deem necessary, shall do all of the
11 following:

12 (1) Update the economic analysis used in developing and
13 reviewing state regulations to include a range of petroleum fuel
14 prices to more accurately assess the future cost of petroleum-based
15 fuels.

16 (2) Develop a specific strategy and target for petroleum fuel
17 use reduction in light, medium, heavy-duty, and off-road vehicles.

18 (3) Identify regulatory and statutory barriers to reaching the
19 petroleum reduction and alternative fuel use targets in paragraph
20 (2) of subdivision (b). The state board and State Energy Resources
21 Conservation and Development Commission shall take any
22 necessary regulatory steps to overcome those barriers on which
23 the state board and the commission have the authority to act.

24 (d) On or before January 1, 2014, and triennially thereafter,
25 the state board and the State Energy Resources Conservation and
26 Development Commission shall submit a report to the Legislature
27 on progress in reaching the targets in paragraph (2) of subdivision
28 (b). The report shall include, at a minimum, all of the following:

29 (1) Details as to the quantities of petroleum and alternative
30 fuels used in the state during the preceding year in absolute terms
31 and as a percent of the state's overall fuel mix.

32 (2) An analysis of the effects on the state economy of increasing
33 alternative fuel usage and reducing petroleum usage. The analysis
34 shall include costs to the state economy if petroleum prices remain
35 at current levels, or rise to higher levels.

36 (3) Identification of any new regulatory or statutory barriers
37 to reaching the targets in paragraph (2) of subdivision (b).

38 (4) An assessment of the effect of proposed regulations or
39 guidelines on petroleum reduction and alternative fuel use in the
40 state.

1 (e) (1) Notwithstanding Section 10231.5 of the Government
2 Code, the requirement for submitting a report pursuant to
3 subdivision (d) shall become inoperative on January 1, 2024.

4 (2) A report to be submitted pursuant to subdivision (d) shall
5 be submitted in compliance with Section 9795 of the Government
6 Code.

7 (3) A report required pursuant to subdivision (d) may be
8 developed and submitted in conjunction with any other report or
9 study that the state board or the State Energy Resources
10 Conservation and Development Commission submits to the
11 Legislature, as the state board and the commission may determine
12 to be appropriate.

13 SECTION 1. ~~Section 25720 of the Public Resources Code is~~
14 ~~amended to read:~~

15 ~~25720. (a) By January 31, 2002, the commission shall examine~~
16 ~~the feasibility, including possible costs and benefits to consumers~~
17 ~~and impacts on fuel prices for the general public, of operating a~~
18 ~~strategic fuel reserve to insulate California consumers and~~
19 ~~businesses from substantial short-term price increases arising from~~
20 ~~refinery outages and other similar supply interruptions. In~~
21 ~~evaluating the potential operation of a strategic fuel reserve, the~~
22 ~~commission shall consult with other state agencies, including, but~~
23 ~~not limited to, the State Air Resources Board.~~

24 ~~(b) The commission shall examine and recommend an~~
25 ~~appropriate level of reserve, but in no event may the reserve be~~
26 ~~less than the amount of refined fuel that the commission estimates~~
27 ~~could be produced by the largest California refiner over a two~~
28 ~~week period. In making this examination and recommendation,~~
29 ~~the commission shall take into account all of the following:~~

30 ~~(1) Inventories of California-quality fuels or fuel components~~
31 ~~reasonably available to the California market.~~

32 ~~(2) Current and historic levels of inventory of fuels.~~

33 ~~(3) The availability and cost of storage of fuels.~~

34 ~~(4) The potential for future supply interruptions, price spikes,~~
35 ~~and the costs thereof to California consumers and businesses.~~

36 ~~(e) The commission shall evaluate a mechanism to release fuel~~
37 ~~from the reserve that permits a customer to contract at any time~~
38 ~~for the delivery of fuel from the reserve in exchange for an equal~~
39 ~~amount of fuel that meets California specifications and is produced~~
40 ~~from a source outside of California that the customer agrees to~~

1 ~~deliver back to the reserve within a time period to be established~~
2 ~~by the commission, but not longer than six weeks.~~

3 ~~(d) The commission shall evaluate reserve storage space from~~
4 ~~existing facilities.~~

5 ~~(e) The commission shall evaluate a reserve operated by an~~
6 ~~independent operator that specializes in purchasing and storing~~
7 ~~fuel, and is selected through competitive bidding.~~

8 ~~(f) (1) Not later than January 31, 2002, the commission and the~~
9 ~~State Air Resources Board, in consultation with other state and~~
10 ~~local agencies that the commission deems necessary, shall develop~~
11 ~~and adopt recommendations for the Governor and Legislature on~~
12 ~~a California Strategy to Reduce Petroleum Dependence.~~

13 ~~(2) The strategy shall include a base case forecast by the~~
14 ~~commission of gasoline, diesel, and petroleum consumption in~~
15 ~~years 2010 and 2020 based on current best estimates of economic~~
16 ~~and population growth, petroleum base fuel supply and availability,~~
17 ~~vehicle efficiency, and utilization of alternative fuels and advanced~~
18 ~~transportation technologies.~~

19 ~~(3) The strategy shall include recommended statewide goals for~~
20 ~~reductions in the rate of growth of gasoline and diesel fuel~~
21 ~~consumption and increased transportation energy efficiency and~~
22 ~~utilization of nonpetroleum based fuels and advanced transportation~~
23 ~~technologies, including alternative fueled vehicles, hybrid vehicles,~~
24 ~~and high fuel efficiency vehicles.~~

25 ~~(4) The commission and the State Air Resources Board shall~~
26 ~~do all of the following:~~

27 ~~(A) Attain the targets set forth in the strategy as efficiently as~~
28 ~~possible.~~

29 ~~(B) Coordinate the attainment of the targets with Article 6.5~~
30 ~~(commencing with Section 43865) of Chapter 4 of Part 5 of~~
31 ~~Division 26 of the Health and Safety Code.~~

32 ~~(C) Modify existing programs to maximize the attainment of~~
33 ~~the targets.~~

34 ~~(D) Require all future regulations and guidelines to maximize~~
35 ~~the attainment of the targets.~~

36 ~~(E) On or before July 1, 2012, report to the relevant legislative~~
37 ~~policy committees on the progress in implementing this section.~~

38 ~~(i) The requirement for submitting a report imposed under this~~
39 ~~subparagraph is inoperative on July 1, 2016, pursuant to Section~~
40 ~~10231.5 of the Government Code.~~

1 (ii) ~~A report to be submitted pursuant to this subparagraph shall~~
2 ~~be submitted in compliance with Section 9795 of the Government~~
3 ~~Code.~~

4 (5) ~~On or before January 1, 2013, the commission and the board,~~
5 ~~in consultation with other state and local agencies the commission~~
6 ~~deems necessary, shall adopt a series of interim actions to reduce~~
7 ~~petroleum fuel consumption by 15 percent below the 2003 level~~
8 ~~by 2020 and increase alternative fuel consumption to 26 percent~~
9 ~~by 2022, consistent with this subdivision and Section 43866 of the~~
10 ~~Health and Safety Code.~~

11 (g) ~~The studies required by this section shall be conducted in~~
12 ~~conjunction with any other studies required by acts enacted during~~
13 ~~the 2000 portion of the 1999–2000 Regular Session dealing with~~
14 ~~gasoline prices.~~

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