

AMENDED IN ASSEMBLY MAY 11, 2011

AMENDED IN ASSEMBLY MARCH 31, 2011

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1285**

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**Introduced by Assembly Member Fuentes**

February 18, 2011

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An act to add Part 10 (commencing with Section 38800) to Division 25.5 of the Health and Safety Code, relating to air pollution.

LEGISLATIVE COUNSEL'S DIGEST

AB 1285, as amended, Fuentes. Regional greenhouse gas emission reduction program.

The California Global Warming Solutions Act of 2006 designates the State Air Resources Board as the state agency charged with monitoring and regulating sources of emissions of greenhouse gases. The state board is required to adopt a statewide greenhouse gas emissions limit equivalent to the statewide greenhouse gas emissions level in 1990 to be achieved by 2020, and to adopt rules and regulations in an open public process to achieve the maximum technologically feasible and cost-effective greenhouse gas emission reductions.

This bill would require the state board to establish a program to maximize regional greenhouse gas emission reduction and sequestration projects. The state board would be required to create a system by which emission reductions achieved by projects under the program result in the creation of qualified units of exchange that may be transferred to entities subject to an emissions cap adopted pursuant to the act for compliance towards that cap, as determined by the state board. The state board would be required to establish a Regional Emission

Reduction Exchange to provide oversight and facilitate the transfer of qualified units of exchange. The bill would create within the Air Pollution Control Fund the Regional Emission Reduction System Account, and would provide that moneys from federal, state, regional, and private sources may be deposited in the Regional Emission Reduction System Account, and moneys within the account may be used for the purposes of the program that would be created by the bill, upon appropriation by the Legislature. *The provisions of the bill would be implemented only if the state board adopts a market-based compliance mechanism that includes authorization to use compliance offsets created from greenhouse gas emission reduction or sequestration projects in a sector that is not subject to an emissions cap as part of the market-based compliance mechanism regulation.*

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. Part 10 (commencing with Section 38800) is  
 2 added to Division 25.5 of the Health and Safety Code, to read:

3  
 4 PART 10. REGIONAL EMISSION REDUCTION SYSTEM

5  
 6 38800. *This part shall be implemented only if the state board*  
 7 *adopts a market-based compliance mechanism pursuant to Section*  
 8 *38570 that includes authorization to use compliance offsets created*  
 9 *from greenhouse gas emission reduction or sequestration projects*  
 10 *in a sector that is not subject to an emissions cap as part of the*  
 11 *market-based compliance mechanism regulation.*

12 ~~38800.~~  
 13 38801. (a) The state board shall establish a program to  
 14 maximize regional greenhouse gas emission reduction and  
 15 sequestration projects. The program ~~shall~~ *may* include participation  
 16 by federal, state, regional, local, and nonprofit entities, and Native  
 17 American tribes, ~~who shall~~ *to* develop and implement greenhouse  
 18 gas emission reduction and sequestration projects.

19 (b) (1) *An eligible project shall meet all of the following*  
 20 *requirements:*

- 1 (A) Provide greenhouse gas emission reductions from a sector  
2 that is not subject to an emissions cap as part of a market-based  
3 compliance mechanism regulation.
- 4 (B) Be developed pursuant to a protocol approved by the state  
5 board.
- 6 (C) Meet the requirements of this division for greenhouse gas  
7 emission reductions, including the requirements of subdivision (d)  
8 of Section 38562.
- 9 ~~(b)~~
- 10 (2) Eligible projects *may* include, but are not limited to, all of  
11 the following:
- 12 ~~(1) Energy efficiency.~~
- 13 ~~(2) Localized clean energy generation.~~
- 14 ~~(3)~~
- 15 (A) Increased urban greening.
- 16 ~~(4)~~
- 17 (B) Natural resource protection and conservation.
- 18 ~~(5)~~
- 19 (C) Increased recycling and composting.
- 20 ~~(6)~~
- 21 (D) Other interventions that reduce greenhouse gas emissions  
22 and copollutant emissions.
- 23 (c) The program created pursuant to this section shall meet all  
24 of the following requirements:
- 25 (1) Promote the aggregation of projects.
- 26 (2) Provide incentives to entities subject to an emissions cap  
27 adopted pursuant to this division to invest in projects.
- 28 (3) Contain design elements that maximize the ability of federal,  
29 state, regional, local, and nonprofit entities, and Native American  
30 tribes to participate in the program.
- 31 (4) Promote emission reduction projects that provide multiple  
32 benefits, including, but not limited to, the following benefits:
- 33 (A) A decrease in air or water pollution.
- 34 (B) A reduction in the consumption of natural resources or  
35 energy.
- 36 (C) An increase in the reliability of local water supplies.
- 37 (D) A reduction in vehicle miles traveled.
- 38 (E) Increased adaptability to climate change.
- 39 (5) Provide for state *board* review and oversight of the program.

1 (6) Create incentives that take into account future state or federal  
2 climate change programs.

3 (7) Maximize interagency cooperation and integration,  
4 investments in existing agency and nonprofit programs, and the  
5 use of existing public lands and public resources.

6 (8) Include standardized auditing of projects.

7 38801. (a) The state board shall create a system by which  
8 emission reductions achieved by projects under this part result in  
9 the creation of qualified units of exchange that may be transferred  
10 to entities subject to an emissions cap adopted pursuant to this  
11 division for compliance towards that cap, as determined by the  
12 state board.

13 (b) (1) The state board shall establish a Regional Emission  
14 Reduction Exchange to provide oversight and facilitate the transfer  
15 of qualified units of exchange.

16 (2) The Regional Emission Reduction Exchange shall meet all  
17 of the following requirements:

18 (A) Ensure that only real, verifiable, ~~and additional projects~~  
19 *permanent, quantifiable, and additional projects that are*  
20 *enforceable by the state board* result in the creation of qualified  
21 units of exchange.

22 (B) Ensure the proper accounting of emission reductions  
23 represented by qualified units of exchange.

24 (C) Promote the financing of projects, especially those projects  
25 located in a disadvantaged community.

26 38805. There is created within the Air Pollution Control Fund  
27 the Regional Emission Reduction System Account. Moneys from  
28 federal, state, regional, and private sources may be deposited in  
29 the Regional Emission Reduction System Account. Moneys in the  
30 Regional Emission Reduction System Account may be used for  
31 the purposes of this part, upon appropriation by the Legislature.