

ASSEMBLY BILL

No. 2563

Introduced by Assembly Member Smyth

February 24, 2012

An act to add Part 8 (commencing with Section 38600) to Division 25.5 of the Health and Safety Code, relating to climate change, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 2563, as introduced, Smyth. California Global Warming Solutions Act of 2006: offsets.

The California Global Warming Solutions Act of 2006 requires the State Air Resources Board to adopt regulations to require the reporting and verification of emissions of greenhouse gases and to monitor and enforce compliance with the reporting and verification program, and requires the state board to adopt a statewide greenhouse gas emissions limit equivalent to the statewide greenhouse gas emissions level in 1990 to be achieved by 2020. The act requires the state board to adopt rules and regulations in an open public process to achieve the maximum technologically feasible and cost-effective greenhouse gas emission reductions. The act authorizes the state board to include use of market-based compliance mechanisms.

This bill would require the state board to consider adopting specified compliance offset protocols. The bill would require the state board to review annually the offset protocol process and to consider the implications of international, national, state, and local regulation of offsets on the ability to create offsets and sector-based offsets. If the state board adopts regulations regarding offset credits, the bill would require those regulations to permit offset credits to account for not less

than 15% of a covered entity’s compliance obligation and would require sector-based offset credits to be able to account for up to 4% of a covered entity’s compliance obligation. The bill would require the state board to consider additionality only in the context of greenhouse gases. The bill would require the state board to compile specified reports by specified dates.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: 2/3. 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 8 (commencing with Section 38600) is added
2 to Division 25.5 of the Health and Safety Code, to read:

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PART 8. OFFSETS

6 38600. (a) On or before September 1, 2012, and in accordance
7 with Section 38571, the state board shall consider adopting
8 compliance offset protocols for the verification of each of the
9 following:

- 10 (1) Projects for methane collection at mines, landfills, and
11 natural gas systems.
- 12 (2) Projects involving fugitive emissions from the oil and gas
13 sector that reduce greenhouse gas emissions that would otherwise
14 have been flared or vented.
- 15 (3) Projects for nonlandfill projects that involve collection,
16 combustion, or avoidance of emissions from organic waste streams
17 that would have otherwise emitted methane into the atmosphere,
18 including, but not limited to, composting projects.
- 19 (4) Projects for forest management resulting in an increase in
20 forest carbon stores, including, but not limited to, harvested wood
21 products.
- 22 (5) Projects for forest-based manufactured products.
- 23 (6) Projects involving recycling and waste minimization.
- 24 (7) Projects to abate the production of nitrous oxide at stationary
25 sources not subject to regulation under this division.
- 26 (8) Projects for biochar production and use.

- 1 (9) Projects relating to agricultural, grassland, and rangeland
2 sequestration and management practices, including all of the
3 following:
- 4 (A) Altered tillage practices, including, but not limited to, the
5 avoided abandonment of conservation practices.
 - 6 (B) Winter cover cropping, continuous cropping, and other
7 means to increase biomass returned to soil in lieu of planting
8 followed by fallowing.
 - 9 (C) The use of technology or practices to improve the
10 management of nitrogen fertilizer use, including, but not limited
11 to, slow and controlled-release fertilizers, such as absorbed, coated,
12 occluded, or reacted fertilizers, and stabilized nitrogen fertilizers,
13 such as including urease, nitrification inhibitors, and nitrogen
14 stabilizers, that are recognized by state regulators of fertilizers.
 - 15 (D) Reduction in methane emissions from rice cultivation.
 - 16 (E) Reduction in carbon emissions from organically managed
17 soils and farming practices used on certified organic farms.
 - 18 (F) Resource-conserving crop rotations.
 - 19 (G) Practices that will increase the sequestration of carbon in
20 soils on cropland, hayfields, native and planted grazing land,
21 grassland, or rangeland.
- 22 (10) Projects for changes in carbon stocks attributed to land
23 management change, including all of the following:
- 24 (A) Improved management or restoration of forest land,
25 cropland, grassland, and rangeland, including, but not limited to,
26 grazing practices.
 - 27 (B) Reduced deforestation.
 - 28 (C) Management and restoration of peatland or wetland.
 - 29 (D) Urban tree-planting, landscaping, greenway construction,
30 and maintenance.
 - 31 (E) Projects to restore or prevent the conversion, loss, or
32 degradation of vegetated marine coastal habitats.
- 33 (11) Projects that reduce the intensity of greenhouse gas
34 emissions per unit of agricultural production.
- 35 (b) If the state board adopts an offset protocol process pursuant
36 to this division, the state board shall review annually the offset
37 protocol process and shall consider the implications of
38 international, national, state, and local regulation of offsets on the
39 ability to create offsets and sector-based offsets.

1 (c) If the state board adopts regulations regarding offset credits
2 pursuant to this division, both of the following shall apply:

3 (1) Those regulations shall permit offset credits to account for
4 not less than 15 percent of a covered entity's compliance
5 obligation.

6 (2) Those regulations shall permit sector-based offset credits to
7 account for not less than 4 percent of a covered entity's compliance
8 obligation.

9 (d) If the state board adopts regulations regarding additionality
10 pursuant to this division, the state board shall consider additionality
11 only in the context of greenhouse gases.

12 (e) If the state board adopts an offset protocol process pursuant
13 to this division, the state board shall present at a board meeting no
14 later than July 1, 2013, an economic assessment of the role of
15 offsets in reducing the cost of complying with this division for the
16 state's economy and a report considering the advantages and
17 disadvantages of an expanded offset supply.

18 (f) (1) The state board shall provide, no later than January 1,
19 2013, a report to the appropriate committees of the Legislature on
20 the current and future supply potential for each compliance offset
21 protocol reviewed pursuant to subdivision (a), including, but not
22 limited to, proposed and rejected compliance offset protocols.

23 (2) The requirement for submitting a report imposed under this
24 subdivision is inoperative on January 1, 2017, pursuant to Section
25 10231.5 of the Government Code.

26 (3) A report to be submitted pursuant to this subdivision shall
27 be submitted in compliance with Section 9795 of the Government
28 Code.

29 (g) (1) The state board shall provide, no later than July 1, 2013,
30 a report to the appropriate committees of the Legislature on which
31 compliance offset protocols and offset projects could be used for
32 early action purposes in the first compliance period and identify
33 opportunities to increase the potential for additional greenhouse
34 gas reductions through offset project opportunities.

35 (2) The requirement for submitting a report imposed under this
36 subdivision is inoperative on July 1, 2017, pursuant to Section
37 10231.5 of the Government Code.

38 (3) A report to be submitted pursuant to this subdivision shall
39 be submitted in compliance with Section 9795 of the Government
40 Code.

1 SEC. 2. This act is an urgency statute necessary for the
2 immediate preservation of the public peace, health, or safety within
3 the meaning of Article IV of the Constitution and shall go into
4 immediate effect. The facts constituting the necessity are:

5 In order to obtain additional flexibility, certainty, and
6 accountability with regard to the implementation of compliance
7 offset protocols by the State Air Resources Board under the
8 California Global Warming Solutions Act of 2006, it is necessary
9 for this act to take effect immediately.

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