

**Introduced by Senator Gaines**December 1, 2014

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An act to add Section 38576 to the Health and Safety Code, relating to greenhouse gases, and declaring the urgency thereof, to take effect immediately.

## LEGISLATIVE COUNSEL'S DIGEST

SB 1, as introduced, Gaines. California Global Warming Solutions Act of 2006: market-based compliance mechanisms: exemption.

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 emissions reductions. The act authorizes the state board to include the use of market-based compliance mechanisms. Existing state board regulations require specified entities to comply with a market-based compliance mechanism beginning January 1, 2013, and require additional specified entities to comply with that market-based compliance mechanism beginning January 1, 2015.

This bill instead would exempt categories of persons or entities that did not have a compliance obligation, as defined, under a market-based compliance mechanism beginning January 1, 2013, from being subject to that market-based compliance mechanism. The bill would require all participating categories of persons or entities to have a compliance obligation beginning January 1, 2025.

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. The Legislature finds and declares all of the  
2 following:

3 (a) The landmark California Global Warming Solutions Act of  
4 2006 (Division 25.5 (commencing with Section 38500) of the  
5 Health and Safety Code) set the goal of reducing greenhouse gas  
6 emissions to 1990 levels by 2020. The act required the State Air  
7 Resources Board to develop a scoping plan, including direct  
8 regulations, performance-based standards, and market-based  
9 mechanisms, to achieve this level of greenhouse gas emissions  
10 reductions.

11 (b) The State Air Resources Board has implemented a  
12 market-based compliance mechanism under the California Global  
13 Warming Solutions Act of 2006 (Division 25.5 (commencing with  
14 Section 38500) of the Health and Safety Code).

15 (c) Beginning January 1, 2015, the State Air Resources Board’s  
16 market-based compliance mechanism expanded from covering  
17 large industrial facilities to include carbon-based transportation  
18 fuels used today by the state’s motorists.

19 (d) Including transportation fuels in a market-based compliance  
20 mechanism requires suppliers of transportation fuels to purchase  
21 carbon allowances for gasoline and diesel sold and used in the  
22 state, therefore, adding a carbon price to the cost of transportation  
23 fuels.

24 (e) The State Air Resources Board’s regulatory analysis for the  
25 market-based compliance mechanism anticipates carbon allowance  
26 costs ranging from \$15 to \$75, inclusive, per ton between 2015  
27 and 2020.

28 (f) Including transportation fuels in a market-based compliance  
29 mechanism links the cost of gasoline and diesel to potentially  
30 volatile carbon markets placing the state’s motorists, families, and  
31 small businesses at risk.

32 (g) Many areas of the state continue to struggle from  
33 disproportionately high unemployment rates and the state’s

1 hard-working low-income and middle-income families will likely  
2 suffer most from this sudden addition in addition to potentially  
3 volatile carbon costs on transportation fuels.

4 SEC. 2. Section 38576 is added to the Health and Safety Code,  
5 to read:

6 38576. (a) For purposes of this section, “compliance  
7 obligation” means the quantity of greenhouse gas emissions for  
8 which a person or entity is required to submit greenhouse gas  
9 emissions allowances or offsets to the state board pursuant to a  
10 market-based compliance mechanism.

11 (b) (1) If the state board adopts a market-based compliance  
12 mechanism pursuant to this part, only those categories of persons  
13 or entities that had a compliance obligation beginning January 1,  
14 2013, shall have a compliance obligation on the effective date of  
15 the act adding this section, until December 31, 2024.

16 (2) Beginning January 1, 2025, all categories of persons or  
17 entities participating in a market-based compliance mechanism  
18 shall have a compliance obligation.

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

23 To protect California’s struggling economy from the harmful  
24 effect of higher fuel costs, it is necessary for this act to take effect  
25 immediately.