

The Governor's Climate Change Initiative

LEGISLATIVE ANALYST'S OFFICE

Presented To:

Assembly Budget Subcommittee No. 3

Hon. Fran Pavley, Chair





Governor's Executive Order and the Climate Action Team



Governor's Greenhouse Gas Reduction Targets

- In June 2005, the Governor issued an executive order that established the following greenhouse gas (GHG) emission reduction targets for the state:
 - By 2010—Reduce GHG emissions to year 2000 levels.
 - By 2020—Reduce GHG emissions to year 1990 levels.
 - By 2050—Reduce GHG emissions to 80 percent below year 1990 levels.
- Between 1990 and 2000, annual California GHG emissions increased by approximately 13 percent—from about 396 million metric tons in 1990 to 449 million metric tons in 2000.
- The administration estimates that achieving the Governor's GHG reduction targets for 2010 and 2020 will result in GHG emissions that are 11 percent and 25 percent, respectively, below that which would otherwise occur.
- As directed by the executive order, the Secretary for Environmental Protection formed the Climate Action Team (CAT), comprised of representatives of the state's environmental protection, agricultural, transportation, housing, and utility agencies, to coordinate efforts to meet the Governor's GHG emission reduction goals.



Governor's Executive Order and the Climate Action Team *(Continued)*

The Climate Action Team Recommendations

- The CAT has identified the following four actions “essential” to meeting the Governor’s GHG reduction goals:
 - Require climate change emissions reporting from all emitters of GHGs, starting with the largest emitters.
 - Levy fees on gasoline and diesel sales to reduce demand for these fuels and to fund promotion of alternative, cleaner fuels.
 - Coordinate state investment funds to reward industry development of emission reduction technologies.
 - Encourage companies to take early action to reduce their climate change emissions in anticipation of subsequent state, federal, or international emissions reduction programs.



Current Climate Change-Related State Efforts

Existing State Efforts to Curb GHG Emissions:

Selected Existing Greenhouse Gas Emission Reduction Strategies	
Agency	Enabling Legislation
Secretary for Resources	
<ul style="list-style-type: none"> • California Climate Action Registry. Register voluntary reporting of greenhouse gas (GHG) emissions to establish baselines against which future GHG emission reduction requirements may be applied. 	Chapter 1018, Statutes of 2000 (SB 1771, Sher); Amended by Chapter 769, Statutes of 2001 (SB 527, Sher)
Air Resources Board	
<ul style="list-style-type: none"> • GHG Vehicle Emission Standards. Require board to regulate GHG emitted by passenger vehicles and light-duty trucks to achieve maximum feasible reductions. • Anti-Idling. Require board to develop regulations to prevent diesel truck engine idling at ports. 	Chapter 200, Statutes of 2002 (AB 1493, Pavley) Chapter 1129, Statutes of 2002 (AB 2650, Lowenthal)
Public Utilities Commission	
<ul style="list-style-type: none"> • Renewables Portfolio Standard. Require the state's retail sellers of electricity to achieve at least 20 percent of energy sales from renewable sources. • California Solar Initiative. Provide financial incentives to encourage residential and commercial installation of solar energy technology. • Investor-Owned Utility Energy Efficiency Programs. Establishes energy-savings targets for investor-owned utility energy efficiency programs. 	Chapter 516, Statutes of 2002 (SB 1078, Sher)
Energy Commission	
<ul style="list-style-type: none"> • Energy Efficiency Standards. Issue standards that reduce the energy demands in buildings and household appliances. • Tire Replacement and Inflation. Ensure that replacement tires sold in the state are at least as energy efficient as the originals, and encourage energy-efficient inflation. • Alternative Fuels. Develop and adopt by June 30, 2007, a state plan to increase the use of alternative transportation fuels that, among other things, reduce the emission of GHGs. 	Chapter 329, Statutes of 2000 (AB 970, Ducheny) Chapter 654, Statutes of 2003 (AB 844, Nation) Chapter 371, Statutes of 2005 (AB 1007, Pavley)
State Consumer Services/Cal-EPA	
<ul style="list-style-type: none"> • Green Buildings Initiative. Site, design, construct, renovate, operate, and maintain state buildings that are models of energy efficiency. 	



Governor's Budget Proposal

Governor's Climate Change Initiative Budget Proposal:

Governor's Climate Change Initiative—\$7.2 Million
Air Resources Board—\$5.2 Million/14.8 Positions
<p>Regulatory Control Measures. Develop regulatory control measures to encourage use of biofuels and refrigeration technologies; and to reduce or eliminate emissions from the semiconductor industry, stockyards, diesel engines used at ports, and light- and heavy-duty vehicles.</p> <p>Economic Analysis. Evaluate the economic effects of greenhouse gas (GHG) emission reduction strategies.</p> <p>Climate Change Research. Identify links between air quality and climate change.</p> <p>Incentives. Expand the Innovative Clean Air Technologies grant program to include technologies to reduce GHG emissions.</p>
Secretary of Environmental Protection—\$900,000/1.9 Positions
<p>Coordinate Efforts; Foster Crosscutting Research. Coordinate statewide efforts to meet the Governor's GHG reduction targets; contract for crosscutting research and public outreach.</p>
Energy Commission—\$612,000/3.8 Positions
<p>Evaluate Potential GHG Reductions. Evaluate and verify potential GHG reductions for electricity generation and from other key industries.</p> <p>GHG Emission Inventory. Update and improve methods and data of the existing statewide GHG inventory.</p> <p>Economic Research. Design and develop research projects relating to the economics of climate change.</p>
Public Utilities Commission—12 Positions^a
<p>Renewables Portfolio Standard. Plan for an acceleration of the Renewables Portfolio Standard from the current goal of 20 percent renewable energy by 2017 to: 20 percent by 2010, and 33 percent by 2020.</p> <p>California Solar Initiative. Add 3,000 megawatts of solar energy by 2017.</p> <p>Energy Efficiency. Expand utility energy efficiency programs and increase energy efficiency in state buildings; develop and implement a program to support combined generation of heat and electricity in industrial settings.</p> <p>Policy Development. Analyze carbon policy options for the electricity generation industry.</p>
Integrated Waste Management Board—\$466,000/2.9 Positions
<p>Methane Conversion. Increase capture of methane emitted from landfills for use as an alternative fuel.</p>
^a Redirected positions within the commission.



LAO Recommendations

Climate Change Initiative Entails Major Policy Choices; Legislative Direction Needed

- The Governor’s proposal raises a number of major policy choices that will drive the development, implementation, and evaluation of the state’s GHG emission reduction efforts. We recommend that the Legislature establish its own statutory GHG reduction policy. Below, we identify a number of issues and decision steps for the Legislature in establishing such a policy:

Establishing Climate Change Policy: Key Issues and Decision Steps for the Legislature
<p>Goals</p> <ul style="list-style-type: none"> • Establish performance targets in terms of greenhouse gas (GHG) emissions reductions. <p>Implementation Actions</p> <ul style="list-style-type: none"> • Determine what actions should take priority, considering the costs and the impact of the actions on GHG emissions reductions. • Set time frame for achieving goals. <p>Tools</p> <ul style="list-style-type: none"> • Determine appropriate mix of regulatory and voluntary strategies. • Compare cost-effectiveness, and efficiency of the strategies. • Consider who should pay to implement strategies—including the role of public versus private funding. <p>Oversight and Operation</p> <ul style="list-style-type: none"> • Decide which agency will oversee the state’s GHG reduction programs. • Determine the appropriate role of, and relationship between, state and local agencies. • Consider how the state’s GHG reduction efforts will be coordinated and how they will interact with the state’s other programs and activities.