BOARD MEETING
STATE OF CALIFORNIA
AIR RESOURCES BOARD

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CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY
BYRON SHER AUDITORIUM, SECOND FLOOR
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SACRAMENTO, CALIFORNIA

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8:30 A.M.

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ALSO PRESENT

Dr. Rasto Brezny, MECA

Mr. Chris Busch, UCS

Mr. Pedro Carillo

Mr. Tim Carmichael, Coalition for Clean Air

Ms. Cynthia Corey, California Farm Bureau

Mr. Casey Crammer, California Cotton Ginners and Growers Association

Mr. John Dunlap, American Home Furnishing Alliance

Mr. Roger Gault, Enginer Manufacturers

Mr. Henry Hogo, South Coast Air Quality Management District

Mr. Ken Johnson

Mr. Lawrence Keller, Polaris Industries

Mr. Bill Magavern, Sierra Club

Mr. James McNew, OPEI

Mr. Peter Miller, Natural Resources Defense Council

Ms. Crystal Muhlenkamp, Bloom Energy

Mr. Max Ordenez

Ms. Danielle Osborn Mills, Center for Energy Efficiency

Mr. Ed Pike, International Council on Clean Transportation

Mr. Shankar Prasad, Coalition for Clean Air

Ms. Erin Rogers, Union of Concerned Scientists

Ms. Julie Sauls, CA Trucking Association

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APPEARANCES CONTINUED

ALSO PRESENT

Mr. Kris Tjernell, Audubon CA, Conservation Strategy Group

Mr. John White, Clean Power Campaign

Ms. Pamela Williams, California Retailers Association

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PETERS SHORTHAND REPORTING CORPORATION  (916) 362-2345
ACTING CHAIRPERSON ROBERTS: Good morning. Today is November 21st. And I want to call this continued session of the California Air Resources Board to order and ask the clerk to call the roll.

BOARD CLERK VEJAR: Dr. Balmes?
BOARD MEMBER BALMES: Here.
BOARD CLERK VEJAR: Ms. Berg?
BOARD MEMBER BERG: Here.
BOARD CLERK VEJAR: Ms. D'Adamo?
BOARD MEMBER D'ADAMO: Here.
BOARD CLERK VEJAR: Supervisor Hill?
BOARD MEMBER HILL: Here.
BOARD CLERK VEJAR: Ms. Kennard?
Mayor Loveridge?
Mrs. Riordan?
Supervisor Roberts?
ACTING CHAIRPERSON ROBERTS: Here.
BOARD CLERK VEJAR: Professor Sperling?
Dr. Telles?
BOARD MEMBER TELLES: Here.
BOARD CLERK VEJAR: Chairman Nichols?
Chairman Roberts, we have a quorum.
ACTING CHAIRPERSON ROBERTS: We have a quorum,
We are going to continue with the public testimony first from yesterday. I have a speaker's list of people who apparently were here and indicated they were interested in coming back today instead of staying with us through the dinner hour last night.

So we're going to move through this. And we're going to strictly enforce the two-minute limit. So I hope you can get done within that two minutes and not drag on for any additional time. So with your help, we want to get through this. We have a lot we need to cover today, and we're going to lose a quorum around noon time. Please work with us. We're anxious to hear your comments.

We'll start with Bill Magavern representing Sierra Club followed by Shankar Prasad, Coalition for Clean Air. Get in that on deck position. Okay.

MR. MAGAVERN: Good morning. I'm Bill Magavern with Sierra Club California. And I want to thank both the staff and the Board for running such an open public process and doing -- really going more than the extra mile to take in everybody's comments and your accessibility throughout the process.

We've submitted lengthy written comments, so I want to get right to our suggestions for improvements in the market mechanism.

We think for this to be a market mechanism that
will work for California or at a regional level or as a model for the nation, it needs significant strengthening. And I understand that a lot of the details will be dealt with during the rulemaking process, but think it's very important that some fundamental principles be accounted for in the Scoping Plan.

First, we think that it's important that carbon fees be analyzed equally with cap and trade. And we would like to see a full blown scenario as to whether, given the regulatory measures that in the plan most of which are excellent, what level would a carbon fee need to be set at to achieve the carbon pricing goal. And then compare that to the cap and trade, and let's see which would be the better option. Let's do that full analysis.

Secondly, if there is going to be a cap and trade and emission allowances are to be issued, it's very important that the polluters have to pay for those allowances and we not give a windfall profit to those polluters.

Also the area of offsets. We think that 49 percent is much too big and that California needs the reduce our emissions. That's not a job we should be outsourcing to other jurisdictions. We need to develop the clean green technologies here in California. We can export those to the rest of the country and the rest of
Also we're very concerned that the cumulative impacts from market mechanisms --

ACTING CHAIRPERSON ROBERTS: Bill, thank you.

MR. MAGAVERN: -- from offsets be fully analyzed.

Thank you very much.

ACTING CHAIRPERSON ROBERTS: Thank you.

Next speaker please.

MR. PRASAD: Good morning, members of the Board.

For the record, my name is Shankar Prasad. I'm with the Coalition for Clean Air.

We are glad to be working with you and the staff in crafting this historic plan. We commend the staff for the excellent work they have done and also the expertise they have shown in crafting this plan.

This Board has the tradition of showing world wide leadership and taking actions, taking anticipatory actions. So in the same vain, we want to make sure that you all direct the staff to include the language that has been included in our comments letter, the four elements, which has been jointly signed by four other major organizations in this state.

You may recall that over the last eight to ten years or ten to twelve just the laws that have passed in the state. But when it comes to the question of what
has changed at the ground level, not much has happened.
And the reason is that we do not have -- to any of them,
including the small grants program, neither we have the
target that has been clearly established not a time line
that has been there.

So you have this opportunity not to make the same
mistake and to ensure that these problems are solved and
directing the staff for action items that we have listed.
And the time lines is very important on that aspect.
And also we should remember that it is because of
the foresight of this agency three years ago that we have
an access to do cumulative impacts assessment. And it is
the reason we are asking that methodology now available
for you to build upon and to ensure that there is a common
method that can be used by other districts, the cities,
and otherwise so it is very much like risk assessment and
will also help in evaluating the future.

ACTING CHAIRPERSON ROBERTS: Thank you.

Tim Carmichael followed by Daniel Osborn Mills.

MR. CARMICHAEL: Good morning, members of the
Board. Tim Carmichael with the Coalition for Clean Air.

Let me start by assuring you the crowds have
dwindled. California's interest in what you're going to
do on this topic has not dwindled one bit.

Greatly appreciate the comments from the Board

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members yesterday indicating their interest in incorporating community health protections into this plan. We think it's a critical element, as Dr. Prasad just outlined. And it's a piece that needs to be called out more specifically in the Scoping Plan.

This is not only an opportunity for California to do the right thing for the residents of California, but it's an opportunity to create a model for the Western Climate Initiative, for rest of the country, and for other countries around the world that are looking to set up similar programs going forward.

We appreciate your support for this. We ask you to incorporate the language that is in our comment letter. And thank you again for the opportunity to weigh in on this important matter.

ACTING CHAIRPERSON ROBERTS: Thank you, Tim. Danielle followed by Jennifer Hadra.

MS. MILLS: Good morning, members of the Board.

The Center for Energy Efficiency and Renewable Technologies first wants to commend the Air Resources Board and staff for producing a plan of such magnitude and scope. And we appreciate the opportunity to comment today.

We applaud the inclusion of the 33 percent renewable portfolio standard and believe it will bring...
significant environmental co-benefits as well as economic benefits to the state.

However, we would like to see some measures including energy storage technologies included in this. We strongly support the option of offering a feed-in tariff for all renewable portfolio standard eligible projects or facilities up to 20 megawatts in size, which would include ultra clean heat and power technologies as well as distributed generation.

CEERT believes the design of any climate policy, be it a cap and trade program or a direct regulatory measure should recognize greenhouse gas benefits of renewable electricity without imposing any regulatory compliance burdens or unintended consequences on renewable providers.

To this end, CEERT strongly recommends that the CARB include a measure to preserve the voluntary market under a cap and trade program by retiring carbon benefits related to voluntary purchases of renewable electricity from the regional cap before allocating allowances to the states.

We suggest that the staff also consider the impact of this CEQA threshold of significance on facilities that may emit more than 7,000 metric tons of carbon dioxide equivalence through the generation of low
carbon renewable power. And we recommend that this
interim significance threshold be set equivalent to the
25,000 metric tons used as the threshold for coverage in
the WCI.

Again, we just want to thank you and tell that
you we believe the proposed Scoping Plan provides an
everseous opportunity for the state of California to grow
its economy, increase its development of green energy,
provide co-benefits, and reduce greenhouse gases.

Thank you.

ACTING CHAIRPERSON ROBERTS: Thank you.

Jennifer here?

Okay. Elizabeth Hadley. Elizabeth Hadley.

OFFICE OF CLIMATE CHANGE CHIEF SHULOCK: I
believe she testified yesterday.

ACTING CHAIRPERSON ROBERTS: Rachel Oster.

Kris Tjernell followed by Crystal Muhlenkamp.

MR. TJERNELL: Good morning, members of the
Board. I'm Kris Tjernell here on behalf of Audubon,
California.

First, we are very thankful for the continued
effort of the Board to find comprehensive solutions to
climate change issues and we urge adoption of the proposed
Scoping Plan.

Audubon, working closely with the Nature
Conservancy and Defenders of Wildlife, has submitted extensive comments throughout the Scoping Plan process. We'll keep today's comments brief.

Our natural resources, our wetlands, forests, and range lands are a critical component of natural carbon cycle and thus need to be considered to be considered centrally in any approach to fighting and adapting to climate change.

Significant investment in the protection and restoration of our natural ecosystem is required to ensure that the good work to curb emissions in the energy, transportation, and other sectors is not undermined.

To this end, Audubon California supports a strong ongoing role for the Air Resources Board to provide clear protocols and standards required during a multi-agency effort of this magnitude.

In addition, Audubon California supports a 100 percent auction of allowances under a cap and trade program with appropriate revenues reinvested in natural resource protection, ecosystem resiliency, and adaptation planning.

Thank you for your efforts. And again we urge your adoption of the Scoping Plan. Thank you.

ACTING CHAIRPERSON ROBERTS: Thank you.

Crystal followed by Scott Newman.
MS. MUHLENKAMP: Good morning, members of the Board. Crystal Muhlenkamp on behalf of Bloom Energy. We applaud the Board and staff for their excellent work on the Scoping Plan and urge adoption. We would just like to take this opportunity to encourage ARB going forward to promote the inclusion of all technology neutral distributed generation solutions to meet California's ambitious GHG emission reduction targets.

California is of course known for its technological innovation where things are constantly improving and recognizing that new ultra clean high efficiency distributed generation solutions are available that don't meet the old technology definitions will help California benefit from the best and widest range of climate change solutions available. I would like to say we appreciate staff's economic analysis work and firmly believe AB 32 and the Scoping Plan will not only be great for California's environment, but will spur further good old fashioned California innovation, create green jobs in traditional sectors, and further grow California's economy.

Thanks so much.

Ken Johnson. Ken is going to be followed by Erin Rogers, followed by Audrey Chang. Audrey here? Okay.

MR. JOHNSON: Good morning. I'm Ken Johnson.

One thing I don't see anything in the plan that would prevent situations where in 2020 you could have emission allowance trading for something like three dollars per ton or lower, even after the polar ice cap is gone. We could win the battle to achieve a 2020 emission goal and still lose the war against catastrophic global climate change.

And I would like to ask staff to respond to a question regarding the statutory requirement for maximum technologically feasible and cost effective emission reductions.

Suppose that the statute had been written with the word "maximum" omitted from that language. Everything else stayed the same. You know, the 2020 emission limit is unchanged.

Is there anything in what you've proposed that is significantly different from what it would be if the word "maximum" were omitted from the language. Is there anything that would preclude a three dollar per ton trading price of 2020 in what you've proposed?

ACTING CHAIRPERSON ROBERTS: We'll have them answer at the end of the public testimony. Thank you.
MS. ROGERS: Good morning. Good to see you guys again today. My name is Erin Rogers. And I'm with the Union of Concerned Scientists. And we support the Scoping Plan's foundational policy very much.

We have some concerns with the cap and trade program. And I'd like to spend my time focusing on one of those which is offsets.

So if the cap and trade program is like a game of musical chairs in which chairs are taken out of the game as the cap is ratcheted down and we proceed toward fossil fuel abolition, then offsets are like bringing in a bunch of chairs from the neighbor's house.

The offset upper limit in the Scoping Plan adds about 213 million metric tons of chairs to the game. So in essence we're lifting the cap by about 213 million metric tons of emissions over the lifetime of the program.

The amount of offsets that could be allowed into the system based on the upper limit in the Scoping Plan could far exceed the emission reductions that come from the cap and trade program. For example, in 2020, we expect the cap and trade to achieve about 34 million metric tons a year of emission reductions. But the same year, the upper limit of proposed offsets could allow 47 million metric tons of offsets into the system.

And this means that cap and trade is not pushing
up further reductions in the cap sectors. We're not maximizing economic and environmental benefits in California. And we think that the upper limit is too high.

There's I hope a sign-on letter that's going to be distributed signed by about 20 different environmental, academic, and labor organizations asking for this upper limit to be lowered or at least taken out of the Scoping Plan for now until we can figure it out more.

Don't lock us into the upper limit. We think that California should set the bar higher than the Western Climate Initiative and do better on tightening up our offsets limit.

Thank you.

ACTING CHAIRPERSON ROBERTS: Thank you.

Audrey Chang.

MR. MILLER: My name is Peter Miller. I'll be speaking today on behalf of the Natural Resources Defense Council.

And I wanted to begin today by offering our sincere thanks to the staff for what really has been a Herculean effort over the past couple of years. An enormous amount of work. A lot of pressure. And we really do appreciate deeply the work that's gone into the Scoping Plan.
We think that the Scoping Plan really leads the country and the world. California is exercising tremendous leadership with this. While we don't support every detail within the plan, we do support strongly the overall approach and the mix of policies and programs that are in the Scoping Plan. We think that the Scoping Plan when implemented will result in substantial economic stimulus and sustainable jobs in the state. We think this is an enormous benefit. We have submitted detailed comments on to CARB on the draft plan, proposed plan. We look forward to working with you on implementing that plan.

I have two brief comments that I don't believe have been made on the forest sector.

The proposed Scoping Plan particularly in Appendix C includes the assertion that mechanical fuels treatment is a proven emission reduction measure. This claim we find to be speculative and not founded in accepted science. And we urge CARB to instead commit to a science-based rigorous investigation of the full fuel cycle carbon effects of fuels treatment and to re-calibrate the Scoping Plan and energy sector strategies in keeping with the results.

Second, the Scoping Plan does not yet offer flushed out effective management and funding structure for
forest sector program design and implementation. And we urge CARB to work with a range of relevant agencies and stakeholders over the months and years to come to develop such a structure.

Thank you for the opportunity to offer those comments.

ACTING CHAIRPERSON ROBERTS: Thank you.

Chris Busch, followed by Brian Nowicki.

MR. BUSCH: Thanks to the Board and staff -- I was going to say Herculean efforts too -- we weren't even coordinating -- and for the great progress we made so far.

You heard a lot about auctioning yesterday, so I don't want to get into the merits. But I'd like to start by presenting a letter to you signed by 21 public interest groups and also eleven professors of economics and Dan Cammon as well also Nobelaureate Kent Arrow from Stanford encouraging stronger statement of preference for auctioning.

Let me say exactly what the letter said. It asks you to add the statement that CARB expects that California will auction significantly more than the WCI minimum levels and will transition to 100 percent auction.

Next I'd like to offer some words in response to those who would say the difficult economic times mean we can't afford climate investments. And I think that's
1 exactly the wrong way to think about it. The smart
2 household strategy of cutting back in difficult times is
3 actually how recessions turn into depressions. So we need
4 government to be thinking in terms of stimulus.
5 And this doesn't mean it's all going to be free.
6 And CARB's analysis appropriately recognized the cost of
7 policies. It's just that the energy savings outweigh the
8 costs. And that's how the net benefits come about and the
9 cost lowering benefits of innovation in the future are not
10 even brought into the analysis. So that is a way that
11 really costs are overestimated.
12 I think the AB 32 implementation group critique
13 goes overboard in its attack on CARB's analysis. And I
14 think it offers little in the way of specific refutation
15 of the detailed bottom up work that underlies and is the
16 basis for the net benefits in the analysis.
17 I think the heart of their critique relies on an
18 ideological judgment that in essence markets are working
19 close to perfectly and are close to rational and that
20 government can't possibly have a net positive impact on
21 the economy.
22 In closing, we ask you to reject delay and to
23 maintain strong leadership at this critical time.
24 ACTING CHAIRPERSON ROBERTS: Thank you.
25 Brian Nowicki here? Ed Pike. Is Ed here?
Followed by Julie Sauls, followed by Cynthia Corey.

MR. PIKE: Good morning. My name is Ed Pike, and I represent the International Council on Clean Transportation.

Thank you for the opportunity to speak this morning. And thank you to the staff for all their hard work on the transportation sector of the Scoping Plan. I recognize the importance of the comprehensive approach covering clean vehicles, clean fuels, reduced vehicle miles traveled. And today I want to limit my remarks to a clean air, clean transportation incentive program.

The addition of a clean air, clean incentive program to the Scoping Plan is important for several reasons.

First of all, AB 32 requires that the final Scoping Plan contain recommendations on incentive programs to achieve the maximum feasible and cost effective reductions. Targeted incentives for cost effective voluntary reductions will multiply the incentive compared to a broad somewhat diffuse effect you might have from a broad cap and trade or other type of system putting a price on carbon.

Second of all, the California Energy Commission has estimated that it will take $50 billion over the next
15 years to achieve many of the goals laid out in the Scoping Plan. And AB 118 is a great opportunity to move in that direction to leverage a lot of private dollars where most of the investment will come from. But it's important to look at other opportunities as well. And ETAAC has some recommendations that can help in that area.

In addition to broader concepts like the California Carbon Trust, which is something that we very much endorse, ETAAC also recommends as a high priority a program specifically for transportation incentives. And while models like offsets haven't worked very well in California and internationally as incentive for transportation reductions, we do have examples here in California that are recognized as very successful like the Carl Moyer Program for cost effective voluntary reductions that go beyond what standards will require.

ACTING CHAIRPERSON ROBERTS: Thank you, Ed.

Julie Sauls, followed by Cynthia Corey.

MS. SAULS: Good morning, members of the Board and staff.

I just want to say thank you again for the amount of time you are giving towards these very big issues that are before you. It is greatly appreciated by those who actually are watching and getting to participate. So thank you.
My name is Julie Sauls. And I am the BP of External Affairs for the California Trucking Association. We are the largest statewide trucking association representing trucking interests and those that rely on us in California.

CTA does support the goals outlined in AB 32. However, we are extremely concerned about the competitive disadvantage and the fact that this will increase costs not only for truckers, but for the businesses and the consumers that rely on the goods that trucks deliver.

The Scoping Plan identifies medium and heavy-duty trucks as a primary target of AB 32 implementation policies, including requiring retrofits to improve fuel efficiency and hybridization of medium and heavy-duty vehicles. It also relies heavily on the implementation of low carbon fueled standards not only for passenger vehicle fleets, but for trucks as well.

This measure is very likely to impose billions of dollars in additional costs to truckers. And it also does not account for the costs associated with the regional and local initiatives that have imposed greater restrictions and conditions on trucking operations in California.

Every new cost that widens the gap between in-state and out-of-state trucking increases the likelihood that more and more operators will move their
base of operations outside of California.

This will export California jobs and revenue and generate more greenhouse gases as they drive in and out of the state. Much longer delivery runs than if they were based within California borders. The added cost of out-of-state carriers will manifest themselves in the prices of food and other consumer products that rely on truck transport and get them into the hands of consumers.

I would like to offer a few things for your consideration. One is that the economic impact analysis is taking into account what is happening in the current economy. As we see, it's changing day to day and the --

ACTING CHAIRPERSON ROBERTS: Thank you, Julie.

MS. SAULS: -- picture is becoming more gloomy.

Thank you.

ACTING CHAIRPERSON ROBERTS: Cynthia Corey followed by John White. And then our final speaker Casey Crammer.

MS. COREY: Supervisor Roberts and members,

Cynthia Corey, California Farm Bureau. I'm sorry I couldn't be here yesterday. I heard I missed a good time.

But I did hear that there was some talk about agriculture. And I just wanted to in my two seconds remind the Board. I know that you have a lot of reading material that comes to you before every Board meeting.
But I want to remind you earlier this spring about the ETAAC report. And there's 23 pages in here that the agriculture community spent a lot of time putting together. I would like -- please before we think about new ideas for agriculture that we go back, look at every step. There is a two-page charts that lays out everything that need to happen for agriculture to get their eight million metric tons that are identified for agriculture.

Under your current structure, there is no farm or ranch that will reach the stationary source definition. So ours are voluntary measures at this point. We are working closely with the academic community within the state, within this nation, and internationally trying to identify where we can make changes. So I would ask that you sit down with us, review this, and figure out the next steps. We are working hard to come up with our contribution. And it just hurts me to think that it was portrayed that we are not interested and we are not at the table. Thank you.

ACTING CHAIRPERSON ROBERTS: Thank you.

John White, followed by Casey Kramer.

MR. WHITE: Good morning. I'm John White. I'm here today representing the Clean Power Campaign.

My remarks are more personal, because I've been coming to the Board for many years on a lot of different
things. And I have an idea how this fits.

And I think what we need to do is really understand how important California's contribution to the international climate debate is. And it has to do with how we approach the problem.

This Scoping Plan should be more like a State Implementation Plan. That's the standards against which it should be judged. And because I think the Clean Air Act has a lot to teach us about how to go about with climate.

One of the things I think we've learned is that cap and trade is a compliance mechanism. It's not an end in itself. And the fact is that questions, problems, issues, and financial uncertainty associated with cap and trade have grown since we started this process. And I think all of the advocates at the Board and the staff have all put too much time into it for how good it's going to do us in the near term.

That's not to say we shouldn't work on it. I think it's very important that we get the metrics right and influence in places like the WCI. But it isn't where the tons are going to come from any time soon.

As a result, I think we need to go back and focus more on getting from here to there on the near-term reductions we have before us. We're grateful for the 33
percent renewable portfolio standard being established,
but we need your help enforcing it. When you get to the
municipal utilities on the cap and trade and the
allocation, the theory versus the practice of cap and
trade is going to come into full view. We would suggest
command and control has a role at providing meaningful
compliance flexibility for some situations. But the
emphasis has to be on implementation. We very much
commend as my colleague --

ACTING CHAIRPERSON ROBERTS: Thank you, John.
MR. WHITE: -- Danielle Mills said about the
Scoping Plan inclusion --

ACTING CHAIRPERSON ROBERTS: Thank you, John.
MR. WHITE: -- distributed energy tariffs. We
want to emphasize that. Thank you.

ACTING CHAIRPERSON ROBERTS: Casey, you have the
dubious distinction of being the last speaker here.
MR. CRAMMER: Good morning. My name is Casey
Crammer. I represent the California Cotton Ginners and
Growers Association.

I'm here today to comment on testimony that
agriculture was not being addressed in the Scoping Plan.
This was not the case. Agriculture will be affected more
than any other industry in California by the proposed
Scoping Plan and does not have the ability to pass on one
cent of the cost onto the consumers.

Agriculture will be affected by regulations in virtually every category of the Scoping Plan. Will be impacted by the low carbon fuel standards, the heavy-duty truck efficiency measures, water efficiency, land use efficiency measures, and will be heavily impacted by the increases in utilities rates. We are no different and are concerned with the same as many of the small businesses that you heard from yesterday.

Farmers must invest in efficiency measures in order to cut costs and compete in the global marketplace. Investments in water pump and use efficiency have reduced per acre water use. Farmers have drastically moved towards electrictrifying ag pumps where possible because of strict air quality regulations and high cost of fuel. Conservation tillage and investments in equipment that reduces passes in the field have lead to decreased fuel use per acre and greenhouse gas reductions.

California agriculture has and will continue to lead the world in inefficiency as necessary means of survival and will therefore continue to reduce greenhouse gases and continue to significantly contribute to carbon sequestration.

If the actions of your Board and the purpose of the Scoping Plan are truly about reducing greenhouse gases
and the global climate change, the Board should do what it can to encourage the viability and sustainability of the family farmers. The alternative is to pave over prime agriculture land with freeways and development, only worsening our air quality and climate change problems.

Thank you.

    ACTING CHAIRPERSON ROBERTS: Thank you, Casey.

That completes the public testimony.

Would staff first deal with the question that Mr. Johnson raised before Board member comments.

    CHIEF COUNSEL JENNE: Hi. This is Bob Jenne.

Regarding Mr. Johnson's question, which was really about statutory interpretation, we designed the plan to achieve the 2020 target by using the most cost effective measures we could identify. If we are able as we learn more to identify additional measures that are within the same range of cost effectiveness and they're technologically feasible, the Board would be required to adopt such measures to fulfill the statutory mandate in AB 32 to adopt the maximum technologically feasible and cost effective measures.

We would also note that the plan already provides for that in some degree. We have a margin of safety in the plan to achieve additional reductions beyond the 2020 target to make sure we actually get there.
ACTING CHAIRPERSON ROBERTS: Thank you.

Mr. Goldstene, do you have any comments that you want to lead off with?

EXECUTIVE OFFICER GOLDSTENE: Well, we've heard --

ACTING CHAIRPERSON ROBERTS: There was a few things from yesterday.

EXECUTIVE OFFICER GOLDSTENE: There were a few things from yesterday and a few things from today. At this point, I know that the Board has several specific issues and topic areas you'd like to discuss and cover. We're prepared to make a discussion.

ACTING CHAIRPERSON ROBERTS: Do you have a short list you'd like to cover and we'll add to that?

EXECUTIVE OFFICER GOLDSTENE: I think land use is on the list.

Public health issues are on the list.

I know that CAPCOA wants to have a discussion about trying to somehow formalize their participation in the plan.

I think the discussion about voluntary credits -- credits for voluntary reductions through energy efficiency might be worth talking about. Offsets, as UCS representatives raised today.

Cap and trade.
That's the short list.


BOARD MEMBER BALMES: Well, I just wanted to add to the list, cumulative impacts.

EXECUTIVE OFFICER GOLDSTENE: Cumulative impacts.

BOARD MEMBER BALMES: And the industrial audit.

BOARD MEMBER LOVERIDGE: I'm looking for a process question.

What will be before us in December? I mean, describe what as a Board member we'll be seeing and asked to do in December.

EXECUTIVE OFFICER GOLDSTENE: Based on your direction today, we will make changes to the plan and/or develop a resolution language that you would direct staff to carry out concern functions. So for instance, on public health, you may direct us to work with the director of the Department of Public Health as we study cumulative impacts or other things as an example.

ACTING CHAIRPERSON ROBERTS: I think it's fair to assume in December we're going to have a series of sub-groups under these things we're going to have discussions on each one. And then try to reach a series of agreements and probably come to a resolution.

BOARD MEMBER LOVERIDGE: One other. Are we assuming it's a public hearing where if there's new items
that are not in the current Scoping Plan that we'll have testimony? Or we assume that testimony today is the end and it's Board discussions in December?

EXECUTIVE OFFICER GOLDSTENE: I think that the people who are interested in commenting on any significant changes to the plan will probably want to hear comments from people. But I think for the most part we've captured most of the public testimony at point, although there might be new items you may want to hear in December.

ACTING CHAIRPERSON ROBERTS: Talking to Mary, I thought this was the public testimony.

EXECUTIVE OFFICER GOLDSTENE: For the most part, this is the public testimony.

BOARD MEMBER LOVERIDGE: I think that signal needs to be very clear whether there's another round of public testimony in December or whether in fact we heard public --

EXECUTIVE OFFICER GOLDSTENE: I think the idea if there are new issues --

ACTING CHAIRPERSON ROBERTS: The comments between now and that meeting.

CHIEF COUNSEL JENNE: Ultimately, there will be an agenda item in December where you'll have to make a decision whether to adopt the plan or not. Since it's an agenda item, we would allow public testimony. The Board
Chair can limit the public testimony and say November was really the opportunity to do that. But if people really insist on talking, they could have an opportunity to comment on the agenda item, and the Chair can appropriately limit it.

But ultimately at the end of the December hearing, you would have a resolution in front of you to adopt and plan. And there could be a modified version of the plan that we put for you based on the Board's direction. So you'd have a plan. Either the plan now or the plan with modifications. And at that time you would be asked to adopt it.

BOARD MEMBER LOVERIDGE: Okay.

ACTING CHAIRPERSON ROBERTS: DeeDee.

BOARD MEMBER D'ADAMO: I just had a couple of additions.

Further work on the economic analysis with a time certain coming back to the Board.

We heard about mandatory and commercial recycling. I think I'd like to have some discussion about assigning a target or some way to assign the range.

And then on forestry, I think staff is probably working on this anyway. But the appendix language and maybe some discussion about accounting and cross-sector accounting.
BOARD MEMBER HILL: That would be my question too.

ACTING CHAIRPERSON ROBERTS: Sandy.

BOARD MEMBER BERG: I would like to hear -- I'm in full agreement with my fellow Board members on their list. And I would just like to hear from staff's perspective the incentive programs and what we're thinking about.

What I'm trying to be very careful about is not going into details that we're going to be discussing when each item comes up for regulatory review or for crafting the master plan. But some of these things I don't know whether it's a policy decision or will it be covered in the details. So it would be helpful for me to know the thinking about that.

The other thing I am concerned about and that was brought up by a speaker today, for example, the role that the trucks, the medium and heavy-duty sector, will play in light of the fact that we're looking at an on-road truck rule in December. And so if we're going to require additional retrofits -- I guess what I'd like to be assured of is that as we're going through to look at the truck rule that we're not going to come back and say, oh, but now we want you to do something different. I'm just concerned about that.
And I think that's all on my list. Thank you.

BOARD MEMBER SPERLING: It seems like now would be a time to have some small discussions about any items.

ACTING CHAIRPERSON ROBERTS: That's what I was anticipating.

BOARD MEMBER HILL: I think isn't the purpose of the discussion is to direct the staff to come back with resolution that has that discussion? Okay.

ACTING CHAIRPERSON ROBERTS: Okay.

EXECUTIVE OFFICER GOLDSTENE: To Board member Berg's point, in December, when we complete the Scoping Plan adoption, we'll be moving right into adoption and consideration of the two truck items. One is the main on-road rule and the other is the smart ways rule that's part of the Scoping Plan.

ACTING CHAIRPERSON ROBERTS: That's going to be a great hearing day.

OFFICE OF CLIMATE CHANGE CHIEF SHULOCK: One other point on that. The medium and heavy-duty rules would not be retrofits. Those would be new vehicles. So I don't think there's overlap for that piece with what you would be doing in December.

BOARD MEMBER BERG: Just so that we are trying to get the industry to move into 2010 vehicles. Those that by 2010 if something else comes out in 2015, 2016, you
know, these are expensive pieces of equipment. We have to
decide what we want the industry to do and give them very
clear messages.

BOARD MEMBER SPERLING: So I have three items I
would want to discuss here before we move on.

ACTING CHAIRPERSON ROBERTS: Why don't you read
them off, because I think they have a pretty comprehensive
list right now.

BOARD MEMBER SPERLING: It's kind of in a sense
to get a sense of the Board it would be good for some of
these issues.

You know three -- I'm concerned about one is the
CAPCOA suggestion. I think there should be some kind of
movement forward in thinking through exactly how to engage
the districts better and how that would be. It doesn't
necessarily have to follow exactly what they proposed.
But I think something like that should be either in the
Scoping Plan or part of the plan.

I see a lot of nodding heads.

ACTING CHAIRPERSON ROBERTS: You know, I think
we'll be able to deal with that, because I think my sense
is there's consensus on that.

EXECUTIVE OFFICER GOLDSTENE: We've already been
working for the past two plus years with them very
closely. I think they're looking for some line in the
resolution that has you direct us to continue to work with
them.

BOARD MEMBER HILL: I think we want to do that.

ACTING CHAIRPERSON ROBERTS: I think it's more
than we want you to work with them. I think it was a
question of what is the role we're expecting them to play
and to what extent, as we are with State agencies, going
to provide funding for that in some way, shape, or form
which was really the heartbeat of their comments.

BOARD MEMBER HILL: Especially with the
permitting of the stationary sources.

BOARD MEMBER LOVERIDGE: And you have districts
that have been working and been in place. And it seems to
me as the CARB board we ought to use the fact it's working
there, rather than putting in a new system.

ACTING CHAIRPERSON ROBERTS: So I think there's
probably a strong consensus -- we are not going to take a
vote on this -- that we want to enhance the role of the
air districts and see them as a technical clearinghouse at
the local level.

EXECUTIVE OFFICER GOLDSTENE: We have viewed them
as partners. I think what they want to know is what their
exact role in the implementation of the plan would be in
the different areas. And we know they bring a tremendous
account of talent and skill and knowledge. It's a matter
of as we get into the details of the implementation,
sorting out exactly what the tasks would be, and then how
ten they would be reimbursed for those efforts.
BOARD MEMBER BERG: CAPCOA did submit suggested
language. And maybe staff could just review that
suggested language and see where you're comfortable and
what changes --
EXECUTIVE OFFICER GOLDSTENE: We have reviewed
it, and we are working on a revision to that.
BOARD MEMBER HILL: Include that information.
BOARD MEMBER TELLES: At our local district, it's
been my concern that if we use the air districts as
helping implement AB 32 that we don't remove any resources
from the air districts in their process of doing that. In
other words, they need funding or permit fees or whatever.
And actually I think the way the language is written in
their resolution that they sent us I would recommend we
except it as it stands.
ACTING CHAIRPERSON ROBERTS: Well, I don't think
we want on vote on that today. But I think we've given
staff strong direction to review it and come back with a
recommendation that we can discuss. Okay.
What's the second?
BOARD MEMBER SPERLING: Item two, the offset
issue. And I confess I haven't looked at it really
carefully. But the way it's being presented that others are presenting it, if their view of it is accurate, I think that has raised some concern. And the question I guess is the offsets are important. But the question is, how large are they?

Because I guess the real question in my mind is, are these offset, the 49 percent number, does that apply to just the cap and trade reduction requirement, or is it more broadly, as USC was implying?

EXECUTIVE OFFICER GOLDSTENE: Kevin Kennedy from the Office of Climate Change will answer that.

PROGRAM EVALUATION BRANCH CHIEF KENNEDY: The way that the 49 percent -- which is viewed as an upper limit we might actually set a lower limit -- would be applied against the total reductions that are achieved starting from whatever the level in the cap and trade program from the level set for the 2012 cap and then as the reductions go on. So as you get in the later years, that number does start looking like a very large limit on offsets. It's something that we will be working through.

The fundamental policy direction that we see in the plan is that we want to have an offset limit that is designed to make sure that there are significant reductions from within the cap and trade program. So as we work through the details of the rules and how we set
the limits, we will take a close look at the information
USC and others will put forward. If it looks like that is
too big of a limit in the out years, we'll re-visit the 49
percent. We're not set at we're going to do 49 percent.

BOARD MEMBER SPERLING: Perhaps a technical
question is when you say offset, is that within the WCI
area or the California area?

PROGRAM EVALUATION BRANCH CHIEF KENNEDY: In
terms of where the offsets could be coming from?

BOARD MEMBER SPERLING: Yeah. When does it count
as an offset?

PROGRAM EVALUATION BRANCH CHIEF KENNEDY: In
terms of where offset projects could be located, the
language in the plan says we would be looking to something
that would not have geographic limits. The sort of limits
that we are looking for. One is the quantity limit we're
talking about. But also making sure there are very
stringent rules so we feel very confident that the
reductions that we are looking at are real, additional,
verifiable, permanent, et cetera.

So we're looking at more the question of ensuring
the quality of the offset than trying to set a geographic
area where the project will be located.

BOARD MEMBER SPERLING: So if you buy a credit
from one of the WCI states or Canadian provinces from that
electric utility, is that an offset or is that credit trade?

PROGRAM EVALUATION BRANCH CHIEF KENNEDY: If what you are purchasing is an allowance that was issued by one of the other partners that we had established the trading relationship with, that would be an allowance. And that would not count as an offset.

ACTING CHAIRPERSON ROBERTS: I think we're leaving out several questions that are going to have to be answered as part of the December, the 49 percent, the geographic area, all these things I think --

BOARD MEMBER BALMES: If you want a sense of some of the Board, I think 49 percent is way too high. I would have trouble with that.

And I think then no geographic restrictions means planting trees in Brazil would be an offset if it could be verifiable. And I'm not saying that's a bad thing to do. I'll all for planting trees in Brazil. But I'm not sure that's the way I want to see the offset program for California.

ACTING CHAIRPERSON ROBERTS: I think part of what we're going to be wrestling with -- I'll just put this on the table. Convince us that there's a health benefit that's associated in the sort of region in which these things take place. It seems like that health benefit if
it's going to happen needs to happen in California to the extent that we're doing these things.

In addition to the greenhouse gas itself is a whole series of other things that we're rolling out that will happen. To the extent we're going outside the geographic area to some other place on the planet, while that net effect of the greenhouse gas is going to be the same, we are losing some of the benefit there that we'd like to see here.

So I think that's going to cause us all to have some sleepless nights between now and December.

BOARD MEMBER D'ADAMO: And if I could just add, I think of that cap on offsets and the geographic limitation in a similar fashion that I look at the goal of 100 percent auction. I think we want to maybe consider establishing goals. Start slow. Make sure we are doing this program right. Maybe have geographic restrictions.

I think it goes to whether or not we can -- we have a comfort level of verifiable offsets. It's a lot easier to do it in your own backyard. To verify that once the program gets going if it makes sense to go beyond, let's re-visit that issue.

ACTING CHAIRPERSON ROBERTS: Well, I think I can safely speak for everyone we have to have an iron clad guarantee that the offsets are going to be there.
BOARD MEMBER HILL: And verifiable. And I would agree with DeeDee's comments and Dr. Balmes that 49 percent, it seems excessive. It doesn't get us I don't think where we need to be, especially here. So maybe if you bring back a lower number at the next meeting.

EXECUTIVE OFFICER GOLDSTENE: It is an upper limit as Kevin just pointed out. And it was a product of extensive negotiations with the Western Climate Initiative trying to come to a number. There were several members in that process that wanted the ability to do much a greater number.

So we felt at the staff level that we had significant success getting it down to 49 percent as an upper limit. Each member would ultimately decide what they are comfortable with.

BOARD MEMBER D'ADAMO: Question. Did negotiations include reference to the regional boundary on offsets?

EXECUTIVE OFFICER GOLDSTENE: Yes. And there's no geographic limit. As long as the offsets are verified very high quality offsets -- because we're dealing with the pollutant that's a worldwide pollutant theoretically it's solid and verifiable. We can go into more detail if you need.
ACTING CHAIRPERSON ROBERTS: Well, I want to get through this.

Board Member Sperling has one other item.

BOARD MEMBER BERG: I just want to -- if we discuss geographic boundaries I would like to know what the economic impact. Because my understanding is that there would be some strong economic impact if we bring the boundaries in because it limits the offsets. So I just think that we need to have both sides of the information.

EXECUTIVE OFFICER GOLDSTENE: Just to clarify the point. Ms. Berg, offsets can have the effect of lowering the cost of compliance, particularly at the beginning of the program.

ACTING CHAIRPERSON ROBERTS: I think that's what she's saying.

BOARD MEMBER BERG: That is my point. And --

ACTING CHAIRPERSON ROBERTS: If it's worldwide, you're going to get lower costs associated, which is the whole idea.

BOARD MEMBER BERG: Which goes to the cost effectiveness piece of the legislation.

ACTING CHAIRPERSON ROBERTS: Board member Sperling, before we leave this, one last comment.

BOARD MEMBER LOVERIDGE: Well, I want to make a comment at the end --
ACTING CHAIRPERSON ROBERTS: Is it relative to this?

BOARD MEMBER LOVERIDGE: Are we taking up serially or the full disclosure --

ACTING CHAIRPERSON ROBERTS: Put your mike on.

BOARD MEMBER LOVERIDGE: I defer to them. But is this the full disclosure of the Board member? Are we taking up topics serially now.

ACTING CHAIRPERSON ROBERTS: We're doing serially. I'm going to let Board Member Sperling get the last of his three germane points out here.

BOARD MEMBER SPERLING: Third, and perhaps most controversial, is the land use VMT issue. And just a couple thoughts on this.

You know, one kind of sending a message to local governments is that we do need to be sensitive to the difficulties of local government. And we definitely should not be seeing this as an unfunded mandate. And I you think what that really means is we would be looking seriously and aggressively at creating revenue streams, incentive streams to support anything, any goals or targets that might be imposed on the regions and the local government. And I think that should be understood to be part of the process.

Now, having said that, Chairman Nichols yesterday
used an expression that I think was very important. And
she said we need to think of these numerical targets as
stimulus for creativity. 11:47 a.m. I recorded that.

What that means is -- what it means I don't think
in this case we should be using a median value. We should
be sending a signal that this is something important to
focuses on these land use and VMT issues.

And I would note that transportation is arguably
the least innovative sector in our society. It's
functionally unchanged over the last 80 years. The same
used cars, trucks, same kinds of roads. And there hasn't
been much innovation. And there is a lot of opportunity
for innovation.

And we also have a situation where actually at
the April conference that we had in Aptos where one of the
city managers said that sprawl is the law. And I think
that is an expression that actually resonates with a lot
of people and is actually accurate. We have this
fiscalization of land use where, you know, cities have the
incentive to have more sales tax, more auto malls instead
of have more densification and compact development and so
son.

And so -- and we have things like traffic
ing engineering rules that require minimum a width of roads.
And we have all these rules that really contribute and
have essentially codified sprawl.

And so what we're doing here is creating an
incentive to start pushing back in the other direction.
And what we also talking about is when the staff analysis
focused on land use, the effects of land use and transit
investments but did not include market instruments in the
analysis for the five million tons. And I'm sympathetic
to those that say, well, we can't turn a ship in ten years
with land use. That you can only get modest improvements.
And that's probably right.

But the caveat to that is we're aiming for 2050.
So we need to start putting the right incentives in place.
And we can do a lot about VMT, vehicle miles traveled,
which is, you know, connected to land use but also
separate in many ways. There's many instruments to do
that.

And so for all of those reasons -- and for
another reason that there are large co-benefits. In fact,
there are huge co-benefits. I mean, just think about in
terms of reducing road infrastructure costs. Think about
the public health benefits. Creating more livable cities.

So if we set the target too low, it sends a
signal to the cities and the MPOs that they don't need to
put much effort into addressing these forces that are
creating sprawl and discouraging alternative modes of
travel.

So I think for all those reasons -- and I've gone very carefully through the reports that were done that Dr. Rotteau did for the ARB that reviewing and Richard Nelson did for the NGOs. And I'm quite familiar with those kinds of models. And I can happily go into those at some point. But I think the outcome of all that is the five million tons is probably quite a bit too low. And I don't think it's appropriate here to start picking specific numbers. But I think it would be good to have a little discussion of this with the Board to see if there is agreement that at least it should be a little more aggressive than that.

ACTING CHAIRPERSON ROBERTS: I'm going to use a timer on all the Board members now. We're trying to put some topics here. We're not going to try to resolve them. Yesterday we did discuss that very thing, which I know was on Mr. Goldstene's list, whether that limit is the right number and have a discussion of that in detail. So I think there is a strong interest at looking at a higher --

BOARD MEMBER LOVERIDGE: You know, Dan is planning out the future cities and regions and so forth, which is -- I agree with that planning sign or planning objectives.
But I think this is a big issue is that we need to spend not simply a number. We need to understand what these numbers imply and what they're calling out and what the costs are.

We do have SB 375 which is really landmark legislation which I think we need to talk about how it relates to this call. And I'm a little -- very wary of this number movement of numbers up and down without asking what are really the consequence.

We now have agreement among cities and counties and regions with the current approach the 375 and through I think what's in the Scoping Plan. And I'm wary of essentially having CARB see itself as the land use planning direction for the state of California. So I just offer that as a thought.

BOARD MEMBER HILL: Mr. Chair, in order to maximize the effectiveness of SB 375, we need to firm ambitious land use targets in the Scoping Plan. And I think that's what we could develop.

BOARD MEMBER LOVERIDGE: Every four years we can go back in 375, and it seems to me really important to start this out.

ACTING CHAIRPERSON ROBERTS: I think what is needed is going to be some measurables here. As we start to talk about smart -- I mean, everybody uses the term
smart growth. And it's defined really in a million
different ways and different environments.

Vehicle miles traveled is clearly one of the
things that we want to see reduced. In effect, you can't
reach your ultimate targets without seeing some
significant changes. And I think we all know that the
price of gasoline has done more to change vehicle miles
traveled than any single or multiple series of smart
growth policy over the last decade. It's immeasurable.
And if you tie that to some incentives, I think you'll
have local government's attention. And I think they can
best work out what those details are.

To the extent that we can come up with categories
such as vehicle miles traveled that are performance based
and a measure of how local communities are doing. I think
that needs to be a part of this.

But to start to get into all of the things.
There's a lot of new stuff that's coming. Just on my way
back from a conference -- and maybe miss name, but it was
Intelligent Transportation Systems that was held in New
York. And there's an awful lot coming. There's a lot of
innovative stuff that I think probably some of these Board
members aren't to be aware of. And it's absolutely
getting implemented. And there are changes in the last
couple of decades I assure you both in public transit and
in the public road system.
So I think the issue really is how can we -- what are some of the benchmark things that we can be looking at that we can set standards. And is there a way to tie those to incentives, which I think was your original suggestion. I think if you're going to get local government to perform, that's an excellent way to do it.

BOARD MEMBER D'ADAMO: Well, a comment and a suggestion. I totally agree on the issue of vehicle miles traveled. And I think it would be helpful for us to see a chart. And I understand that the Scoping Plan number that we have would provide for a four percent reduction in vehicle miles traveled. And if you just take the Sacramento blueprint, their blueprint is over our target. So it seems that we can easily do more if we look at what other regions are doing.

Looking at the Scoping Plan, on page 17, there's this chart. I look at the chart like my tax forms. There's above the line and below the line. And it seems to me that under, you know, perhaps an approach I would like to see as high of a target as possible, 10 or 11. But recognizing that we may miss that target and is there a way that we could put that target out there and not have it impact the 174 number, but provide for an additional
amount in the event that we get there. So in other words, something along the lines that the Chair was recommending yesterday, a cushion.

BOARD MEMBER HILL: I like that.

BOARD MEMBER TELLES: Can I make a comment on land use? You know, sprawl is not only a global warming problem but it's an air pollution problem. And I know most of you don't recognize the San Joaquin Valley as being an innovative area. But I think we have a program there that maybe satisfies local government as well as accomplishing the goals of this. And that's the indirect source rule.

If you'll realize how that was done, it was actually done at the local level through an air district where most of the members of the air district are county supervisors with public testimony. And they worked locally. And I think it's a good model to implement the containment of sprawl, not only for the global warming aspect, but it really combines the co-benefits. I think if you want to maximize co-benefits, use the IRS model. It will be tremendous. And I would really strongly encourage the Board to consider that, direct the staff to make that one of their major land use models or methods.

ACTING CHAIRPERSON ROBERTS: Any more comments on land use?
OFFICE OF CLIMATE CHANGE CHIEF SHULOCK: Could I make one -- sorry to interrupt.

But just in response to Ms. D'Adamo's point about the above the line and below the line, one thing to keep in mind is that in 2015 and beyond, these emissions from the transportation sources would be included within the cap. And to the extent that you achieve greater reductions in that area, there would be lesser reductions needed in some other area. And so unless you're changing the cap, this above the line and below the line distinction isn't really there.

BOARD MEMBER D'ADAMO: Maybe I misunderstood. I thought there was a way for us not to affect that cap, but to get more of a cushion.

BOARD MEMBER HILL: In case we don't make it in other areas.

EXECUTIVE OFFICER GOLDSTENE: We can work that out so it doesn't become problematic for the parts of this. Like pushing on a balloon a little bit.

My understanding is the Board is interested in sending a signal to local government leaders that we really need to push hard in this area, in the SB 375 context, and generally within the plan. And seems that maybe some of you want to send a signal.

ACTING CHAIRPERSON ROBERTS: Okay.
BOARD MEMBER LOVERIDGE: Let me just say the signal has been set by the State through the 375. And it a -- I mean a very tough -- very tough political process and very difficult to achieve. And I see agreement here. And you can ratchet this up over time. But I just caution and offer to redesign cities and counties and end sprawl and make the good life, those are worthy objectives. But I think we need to be cautious on what we're staking out.

BOARD MEMBER HILL: If I could respond, Mr. Chair. The one issue and it was raised yesterday and I know you raised it too, Mayor Loveridge, the transportation, the dynamic in the state, and actually the Governor's reduction of -- elimination of funding for public transit in the state. I think if we establish a higher goal in this segment, that will be an encouragement and enticement and pressure perhaps coming from the local government and transit agencies to meet that goal by pushing to get that revenue reinstated in some form.

BOARD MEMBER BALMES: I'm going to miss you, Jerry, because exactly what I wanted to say.

ACTING CHAIRPERSON ROBERTS: As a Transit Board Member, I'm tell you the first Assemblyman I'm going to be visiting. I think we've killed this one with enough
EXECUTIVE OFFICER GOLDSTENE: Maybe if I could make a point.

Just particularly back on the issue about let's say the percentage of offsets that are allowed, which is something we'll be working on directly with our regulatory program. That the Board doesn't have to sort this out with a specific number as an example right now or even in December.

You can express your concern to us. And as we move forward in the development of the rule, we'll be coming back to you and doing further analysis and working with over next year, two years on these issues. So we don't have to answer everything now.

Expressing your concern is certainly appropriate.

We can reflect that.

On land use, that's a little bit different with all of SB 375. That process is beginning now, and we'll be back to the Board at the end of the year with the proposed targets for the regions.

BOARD MEMBER D'ADAMO: On the issue of offsets and also allowances, I'd feel best if you could update us frequently so that we can be engaged in the process. I realize that staff is constantly engaged in discussions with the Western Climate Initiatives and some of the other
efforts national and international. And what I would hate to see is when you bring the program back to us that it would be too late for us to make adjustments.

EXECUTIVE OFFICER GOLDSTENE: We wouldn't let that happen. That's a very important part of our plan in communicating with you and getting your final direction.

ACTING CHAIRPERSON ROBERTS: Okay.

Mayor Loveridge.

BOARD MEMBER LOVERIDGE: Two other things.

One is just staff comment on the SCAAPA presentation about no wealth transfers. Could you comment on that language?

EXECUTIVE OFFICER GOLDSTENE: I know that Kevin Kennedy and Chuck are involved in that in more detail.

PROGRAM EVALUATION BRANCH CHIEF KENNEDY: We are essentially very aware of the issue that SCAAPA and others have had about the potential for wealth transfer. It's an area we will be taking very seriously as we go through working out the distribution of allowances and use of revenue in the cap and trade rulemaking.

So without immediate specific comment on the particular language that they were proposing, it is an issue we'll be taking up very much. And to the extent to which the Board wants to give us direction to either put
some language into the plan or include language in the
resolution to make sure that we work through that issue as
we go forward, we will be able to do that.

BOARD MEMBER LOVERIDGE: The other one -- just a
comment you don't need to take any further with. But I
mean I really support Thomas Friedman's call for cleaner
air pollution which centered on energy technology.

I was caught by what Oregon announced where they
had yesterday talked about Renault-Nissan and the state of
Oregon formed a zero emission vehicle partnership. But
it's the idea of the State trying to get actively involved
in stimulating energy technology.

I'm not quite sure if they do that through the
centers or something. But waiting for it to happen, maybe
there's a way state of California can more actively engage
in this question of promoting energy technology. So just
raise that as a question.

ACTING CHAIRPERSON ROBERTS: I think they've
shown a strong commitment to that and I think the
California Fuel Cell Partnership and Oregon did when they
announced yesterday. So I think there is a lot going on.

I think my observation is that the thing I guess
I would be most concerned about with some considerable
years on this Board is the reason why we've had a lot of
progress in the things we have is we have kept the big
picture in sight. We've had a lot of testimony that leads me to believe that saving the planet is secondary to making sure we get new sidewalks in my neighborhood type of attitudes.

And I think to the extent that we keep that big picture and figure out what the appropriate role, the geographic offsets and other things that we make this an economic plan, a plan that has basically built into it the means to succeed and don't try to hang too many other benefits, if you will. I think we'll have a greater success with what the primary mission is here. The primary mission's not worth doing.

So with that, I think the staff has plenty of things that they'll have to bring back before us for discussion in December. And we can have a very amicable meeting and resolve all this probably in a half hour or so.

EXECUTIVE OFFICER GOLDSTENE: Supervisor Roberts, on that point, I just want to get some clarification on a direction from the Board on the land use item. Would you like us to try to incorporate a stretch goal in there?

ACTING CHAIRPERSON ROBERTS: Yeah. I think there's strong consensus for you -- and I don't think anybody is suggesting a number here. But we'd like something in the 10 to 15 -- something in excess of 10.
Why don't you take a look at it and bring back a well thought out recommendation.

BOARD MEMBER LOVERIDGE: I just say, you need to know the consequences of what these numbers mean. They're not just abstract numbers. We could say why not go to 50. I mean, there needs to be some measurement of what it is that we are throwing out.

ACTING CHAIRPERSON ROBERTS: Okay.

BOARD MEMBER BERG: I think Mayor Loveridge and I will be the -- I'm in agreement that I think we do need to let SB 375 also work the process. And so we'll bring it back and debate it I think.

ACTING CHAIRPERSON ROBERTS: And I think that I hope staff is going to take that into consideration. And maybe your recommendation after looking at it may be to leave it alone. But let's be prepared for a discussion on that.

BOARD MEMBER TELLES: And please don't ignore the ISR type method.

ACTING CHAIRPERSON ROBERTS: Okay. I agree.

BOARD MEMBER D'ADAMO: I've got one other item. I can't -- you're still going through?

EXECUTIVE OFFICER GOLDSTENE: No. It doesn't seem to be going in any order.

ACTING CHAIRPERSON ROBERTS: Did you have
anything left on your list?

EXECUTIVE OFFICER GOLDSTENE: There are a number of items.

ACTING CHAIRPERSON ROBERTS: Go ahead.

EXECUTIVE OFFICER GOLDSTENE: Cumulative impacts item, public health -- I don't know what you'd like to take up next.

ACTING CHAIRPERSON ROBERTS: Why don't you go off of your list.

EXECUTIVE OFFICER GOLDSTENE: Well, public health is next on my list. And I know Dr. Balmes had some questions.

BOARD MEMBER BALMES: So I would like to propose that staff consider establishing a formal approach to involve public health professionals both from the state and local governments and other institutions and other public health organizations.

And I've talked to Mary about this. And she was sort of in general conceptual agreement, not in terms of any details I propose here. I don't want to put words in her mouth.

Something like a public health advisory committee. I guess that would be a PHAC, like ETAAC and EJAC. And that this -- I actually think as Mary brought up yesterday that ETAAC and EJAC need to talk to each

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other. And I would like to see the public health committee, the PHAC, be part of that conversation.

And then I would -- as Mr. Goldstene mentioned, I would propose that California Department of Public Health be included in the Climate Action Team. I realize that's a Cal/EPA at-large team --

OFFICE OF CLIMATE CHANGE CHIEF SHULOCK: That has already happened.

BOARD MEMBER BALMES: Okay. Great.

And the other thing I would want -- this is somewhat of a detail. But I want to put it before the staff that the consideration be given to providing some support to the California Department of Public Health to track health effects of climate change over the long haul.

EXECUTIVE OFFICER GOLDSTENE: You mean budget money?

BOARD MEMBER BALMES: Yes. It was mentioned in testimony.

Specifically, they are actually already starting to track climate change health effects, but they're doing it off of soft money from CDC. That's a detail, but I just want to throw it out.

ACTING CHAIRPERSON ROBERTS: Anything else on public health?

BOARD MEMBER TELLES: I have quite a few items on
public health.

I think from the get-go -- and AB 32 says this. We need to protect vulnerable communities. And to do that, you have to have a system to know where the vulnerable communities are. I think a couple of testimonies mentioned this. And I think we should implement that system of looking for the vulnerable communities and being able to predict what's going to happen before the process begins. And you need a timeline to do that. I don't know. Six months or a year or whatever. But you need to find out where the communities are and what potential impacts of this is going to be.

And then I think in the future, too, if there is going to be a project or industry developing in a community, it has to be looked at as far as the health impacts in that community. And I you think a lot of these have been outlined in some of the written testimony. And you can review that.

EXECUTIVE OFFICER GOLDSTENE: Okay. You're referring specifically to the Coalition for Clean Air?

BOARD MEMBER HILL: The cumulative impact resolution additions.

BOARD MEMBER TELLES: They outlined it very well.

EXECUTIVE OFFICER GOLDSTENE: We can work on something like that. There are some issues with the
quality of the tools that are available to do that and the policy implications of doing that. But we'll review that.

ACTING CHAIRPERSON ROBERTS: You also have your existing California environmental rules that require the impacts analysis. I know we want to have a redundancy. I want to make sure we're in sync with the other things that are required already operating.

BOARD MEMBER BALMES: If I might just chime in here.

I've had some discussions with both Chairman Nichols, Ms. Terry. I think that staff's already working towards trying to develop a cumulative impact assessment tool. There's one that was mentioned in testimony that the Board has been funding for the last few years. But even before that's ready for prime time, I think we have some mechanisms for trying to determine the most impacted communities.

And I think it's necessary for us to have that information when we're considering specific measures down the road in terms of AB 32 implementation. Things really required by the law. And for us to deal with these issues and having that information -- I'm kind of a data driven guy -- I think we need information. So I think it's an important way we have to go forward.

BOARD MEMBER TELLES: Just one other thing on the
public health. I know it's kind of a fuzzy goal to have a happy place, like one of the testifiers mentioned the other day. But I think the potential health impact of having a happy place, a pedestrian world where you can ride a bike to work or walk to work without worrying about getting run over by a car, this is basically re-designing land use in communities. It will have a huge health impact.

One of the problems in our society which was mentioned yesterday is obesity. And I think if we don't encourage walking like it's done in Europe -- you can go to Europe, obesity doesn't exist. And that's because communities are designed differently. And it's something that we don't think about. But 30 and 40 percent of the population is obese. Huge impact from cardiovascular diabetes. This is a co-benefit that's not measurable. But it's real. And I think if we re-design our communities, and this is a process do that -- we can figure this out. I encourage staff to work with that.

EXECUTIVE OFFICER GOLDSTENE: Okay.

ACTING CHAIRPERSON ROBERTS: I'm going to reserve comment on that, because I think you now are getting down way beyond what we should be. And you're into the sidewalk thing. That's okay. We have to decide what we're doing here. And I think you're really doing it in
the absence of a lot of understanding of what's going on at the local level.

BOARD MEMBER TELLES: Okay.

ACTING CHAIRPERSON ROBERTS: We can talk further about that. Let's try to keep the big picture.

What else is on the list?

EXECUTIVE OFFICER GOLDSTENE: Next thing on the list was the issue relating to voluntary renewable purchases. And I could ask my staff to frame that just for a moment. Several people testified on that.

PROGRAM EVALUATION BRANCH CHIEF KENNEDY: This is an issue that as Mr. Goldstene just mentioned a number of people testified about having to do with there is an ongoing voluntary renewable purchase market where various companies and individuals are buying renewables, willing to make those purchases in order to help reduce greenhouse gases.

The Scoping Plan at this point is silent on what sort of role those sorts of purchases might play going forward. It's an issue that we expect to take up in the cap and trade program.

But the concern that we have been hearing since we put out the proposed plan is that simply silence from on the issue and a promise to take it up later could actually cause problems in terms of the market in the near
term. That people may be less willing to make purchases while we're working out the rules if they don't know clearly it's something we can take up in the rulemaking. That's fundamentally the issue that you were hearing from a number of in both written comments and the testimony over the last few days.

ACTING CHAIRPERSON ROBERTS: Might be good to address it in some way to provide the confidence.

PROGRAM EVALUATION BRANCH CHIEF KENNEDY: And certainly there is the possibility of including some language. There is a number of spots in the plan itself or including language in the resolution where it would be possible to address that issue.

BOARD MEMBER LOVERIDGE: What's the down side?

PROGRAM EVALUATION BRANCH CHIEF KENNEDY: Well, there's two levels at which you can address the issue. What we have been talking about at the staff level is essentially meeting open that this is an issue that we'll address going forward. And I think there's relatively little down side to that. I think as we get into addressing the issue, one way of addressing it would have the effect in basically of lowering the cap within the cap and trade system. That there would be people who have concerns about that aspect of it. So it becomes a trade-off between incentives for
reductions achieved one sort of way versus what that means for the larger system.

That's the sort of issue we expect to work out in the course of the cap and trade system. We would expect to be coming back to the Board with discussions about that as that rulemaking goes forward.

ACTING CHAIRPERSON ROBERTS: Okay. Next topic.

EXECUTIVE OFFICER GOLDSTENE: The offset -- I guess we've covered offsets.

Agriculture, several people made comments yesterday about how we're treating ag in the Scoping Plan. I think several people wanted ag to have mandatory requirements. I know Cynthia Corey today came to explain ag is already dealt with to some extent. We can go into more detail. Maybe Ms. Terry can explain what we currently have in the plan and see how the Board would like to respond to the comments that we receive.

DEPUTY EXECUTIVE OFFICER TERRY: I do want to follow up on Cynthia Corey's comments that staff did look very closely at the work that was done by the ETAAC Committee on that sector.

And so the broad brush issue really is methane capture. And there is a measure in the plan just as a reminder that is a voluntary strategy that recognizes sort of the state of those types of projects. So really a
demonstration phase.

The Energy Commission has provided funding for methane digesters. And there are a number of projects that are still in the permitting stage. But we are very hopeful that by putting this in as a voluntary strategy it will attract private capital as well as grant monies and really demonstrate the cost effectiveness so that when we come back with the plan review in five years, there will be a good base of information for the Board to decide whether it should be a regulatory measure at that point.

The other major issue for agriculture is N2O emissions, primary from fertilizer. Soil disturbance is also an issue. There is a research project that ARB is funding in collaboration with other stakeholders. The first phase is to look at the emissions. And then second phase would -- once the emission estimates are completed would be to look at potential strategies to reduce the emissions based on the findings of Phase I. So those are the key elements of the strategies at this point.

And as with many other issues with respect to agriculture, we're really looking at additional comprehensive research projects to really advance the science and look worldwide.

There are some life cycle issues with respect to agriculture that we think can show some promise if we can
identify more work that can be done there.

And then lastly on the issue of land conversion,
this comes up in forestry as well as agriculture and the
SB 375 discussion we just had, we would really like to see
in the land use planning process look at the issue of
conversion of agricultural lands to sprawl and hopefully
avoid that. And that is actually an important part of the
ag picture as well.

ACTING CHAIRPERSON ROBERTS: Okay.

BOARD MEMBER TELLES: Comment on agriculture.

I'm from an ag region and grew up in an ag family, there
are -- contrary to popular belief, there are voluntary
efforts actually going on right now.

The other day I was talking do Mr. Maddocks who
has a large dairy. And he's 75 years old and voluntarily
started his own methane digester prior to any funding
anything. And he has a technology that's working on his
dairy that can power up all the electricity in his dairy.

I think that type of thing with the right
incentives would be very helpful would not spread from his
dairy but to all of the dairies in the San Joaquin Valley.
There are a million and a half cows in the San Joaquin
Valley. And there is great opportunity to reduce methane
as well as the co-benefits again as far as the pollution
these dairies create. And if this's any incentives that
can come to the agricultural sector to help do that I think would be a big co-benefit from the health point of view as well as global warming point of view.

ACTING CHAIRPERSON ROBERTS: Okay. I think we're ready for the next topic.

EXECUTIVE OFFICER GOLDSTENE: The next topic is mandatory commercial recycling. We heard the Chair of the Integrated Waste Management Board present on that and several others.

ACTING CHAIRPERSON ROBERTS: Several others made reference. I think we need some -- Dee Dee.

BOARD MEMBER D'ADAMO: I think we need to a assign a target. And I understand this all happened within the last couple of days. So if staff could do further work on that and come back with a target that makes sense.

EXECUTIVE OFFICER GOLDSTENE: We will. We'll work with the Integrated Waste Management Board on that too.

ACTING CHAIRPERSON ROBERTS: I don't see anybody dissenting from that.

EXECUTIVE OFFICER GOLDSTENE: Next topic is forestry.

BOARD MEMBER HILL: I have a question, Mr. Chair.
Who will maintain the responsibility for the accounting standards. And I know there were a number of agencies that will be dealing with Board related climate change issues. Will ARB have that responsibility?

EXECUTIVE OFFICER GOLDSTENE: The Climate Action Team will have a role. Ultimately, we're responsible for attracting and sharing accountability, meeting the plan's targets. So we have had a team of people who will be monitoring the success as we move forward and provide regular updates to the Board.

BOARD MEMBER HILL: And that is in the plan and does designate ARB as that person, that agency responsible?

DEPUTY EXECUTIVE OFFICER TERRY: I might add in yesterday's testimony from the state agencies, Resources Agency representative Tony Brunello was here. And he talked briefly about their proposal for an interagency working group that would look all at of these issues of implementation, including accounting.

And we actually are working on some proposed language for the Board to consider with respect to recognizing some of the issues, fuels treatment, the appendix language, as well as the potential implementation mechanism. And it would include not just Resources, ARB, CalFire, but also Fish and Game which we think is really
important to look at the issue more broadly and does respond to some of the comments.

BOARD MEMBER HILL: I think it's important that ARB be the agency responsible for maintaining the accounting and everything, the overall.

DEPUTY EXECUTIVE OFFICER TERRY: I think there's language in the plan as a whole that it is the responsibility of staff to report back to the Board for accounting and progress towards the plan for all sectors.

BOARD MEMBER HILL: Thank you.

ACTING CHAIRPERSON ROBERTS: Okay. Is there any other issues you need to we get feedback on?

EXECUTIVE OFFICER GOLDSTENE: We have -- well, I was going to move to forestry. I think there was some issues about accounting. I think most people are pleased with the no net loss part of the plan, but others want more.

ACTING CHAIRPERSON ROBERTS: Okay.

BOARD MEMBER D'ADAMO: I want to make sure that the appendix issue is taking care of and we're not picking certain methods at this early stage and that it be scientifically based.

And on the accounting, I think the concern I have is on cross sectors. And do we have enough assurances within the Scoping Plan to accurately account for not just
forestry but cross sector.

EXECUTIVE OFFICER GOLDSTENE: I'm not sure what
you mean by cross sector. Relative to forestry
or everything?

BOARD MEMBER D'ADAMO: Yes. Well, the other
sectors where we could be double counting.

DEPUTY EXECUTIVE OFFICER TERRY: Perhaps in
response to some of the comments, we have gone back and
looked at the appendix on forestry as an example. And I
think there will be some cleanup on the numbers with
respect to biomass and renewables. And that's a start.
But as the plan is implemented, we try to be clear that
there's definitely overlap with these strategies and there
are accounting issues with respect to many of the sectors.

BOARD MEMBER BALMES: I have a specific question.
I heard from several interested stakeholders concern that
there be an additional metric with regard to accumulative
carbon stock to look at changes over time. And I don't
know if staff wants to comment about that now and whether
that's a good idea or not.

DEPUTY EXECUTIVE OFFICER TERRY: Actually, I
thought that was an interesting comment. And I think
that's a good topic for the work group to look at.

ACTING CHAIRPERSON ROBERTS: Okay. We've
exhausted forestry.
EXECUTIVE OFFICER GOLDSTENE: Dr. Balmes raised questions about industrial audits I think.

BOARD MEMBER BALMES: Yes. Well, I think we heard yesterday that Dr. Telles enjoys public comments better than reading the Scoping Plan. My favorite moment in this process is when Chuck Shulock called me before the June meeting and said, "I wanted to let you know, Dr. Balmes, we've added this industrial audit measure that really is a mechanism to get information about co-benefits." And that was my favorite moment in this process. My happy moment.

And so I really like that staff added this. But I think it could be stronger. And, you know, I think was it a .5 million metric ton emission threshold right now. And I don't know if this is correct, but it's been suggested to me that that would allow small refineries to be under that threshold. And so I think to maximize getting the information about potential co-benefits that could be -- I would like staff to explore a lower threshold in that regard.

DEPUTY EXECUTIVE OFFICER SCHEIBLE: All we need is your direction to do that, because we'll be coming back with actually a rule to implement that measure. And in that rule, we'll look at the benefits and economics of expanding it and how to do it exactly. So we'll deal with
that in great detail.

BOARD MEMBER BALMES: Great.

ACTING CHAIRPERSON ROBERTS: Okay. Next topic.

EXECUTIVE OFFICER GOLDSTENE: Next topic is the
economic analysis. Several representatives spoke on the
economic analysis. And I don't know if you have any
questions.

ACTING CHAIRPERSON ROBERTS: I think Board Member
D'Adamo and Berg and a number of others that mentioned --
I think in review of everything that's happened more
recently as well as just to have a greater sense of
confidence in these projections --

BOARD MEMBER D'ADAMO: I have a specific request
that we have staff come back with a more detailed economic
and public health analysis in one year or prior to
adopting any major regulation, specifically cap and trade.
So I don't know if the one year fits in with that time
frame.

EXECUTIVE OFFICER GOLDSTENE: It does. And we
know that we need to continually analyze the plan as we go
forward and at least an annual update to the Board. I
think that makes sense. It will take us a while. I don't
think the first update should happen until the end of next
year, because we won't have that much information until
then to know how we're doing.
But also as we are proceeding in the rulemakings. For instance, as I mentioned yesterday, the low carbon fuel standards rule will be coming to the Board in March that will have much more refined level of economic analysis then we were able to do on the plan, which is a very high level. Each measure will have its own economic analysis.

ACTING CHAIRPERSON ROBERTS: Sandy.

BOARD MEMBER BERG: One thing that in the Scoping Plan we're looking at an economic analysis of everything. When we start getting into rules, one thing we don't do is add rules up to start seeing what the overall the cumulative effect of the economic impact is. We kind of stay in a box in that. And I just think we need to be mindful and we do need to be cautious. Thank you.

ACTING CHAIRPERSON ROBERTS: Okay. Next topic.

EXECUTIVE OFFICER GOLDSTENE: That's my list.

There might have been other things.

ACTING CHAIRPERSON ROBERTS: Cumulative impacts we talked about. Okay.

BOARD MEMBER TELLES: General comment.

ACTING CHAIRPERSON ROBERTS: General comment.

BOARD MEMBER TELLES: Not to give you another headache or rain on your parade, but I think the plan has a fundamental scientific flaw and that --
BOARD MEMBER HILL: Did that phone ring?
EXECUTIVE OFFICER GOLDSTENE: That wasn't on my list.
BOARD MEMBER TELLES: And that this is all predicated on kind of measuring what we're doing as far as thinking what we're doing as far as reducing emissions. But it's not actually measuring emissions. And I think somewhere along the line we should have the process of actually measuring emissions put into our report cards.
By measuring emissions, I don't mean putting a CO2 monitor on a smoke stack. I'm talking about using some of these computer models that some of the geoscientists have as far as being able to measure CO2 production in low regional areas.
And the reason why that's so important is the primary reason to do this is to reduce CO2 production. It's been shown in some of the plans throughout the world that this process we're doing sometimes overestimate, sometimes underestimates what we're actually doing. And I think to validate that you need a little bit of more scientific measurement than just kind of this emission inventory that we have.
I don't know how feasible that is. But I would imagine if the federal government is going to get involved
in this and they can put the resources of all the
resources of the federal government in doing this that it
would be very helpful to really carefully monitor what's
happening.
EXECUTIVE OFFICER GOLDSTENE: So you're asking us
a look into the ambient monitoring of CO2 not just making
measurements of combustion measurements. I know there's
been discussion about that.
ACTING CHAIRPERSON ROBERTS: We'll work with
other air districts.
BOARD MEMBER TELLES: This comes out of San Diego
County. Comes out of a geophysicist at Scripps, one of
your constituents.
EXECUTIVE OFFICER GOLDSTENE: We'll look into
that and get back to you.
BOARD MEMBER KENNARD: Let me take a little
different tact. And I apologize I missed the entirety of
the discussion yesterday. I can only anticipate that
there was a lot of breadth and depth of discussion.
Let me take a different tack. I have to say I
find this Scoping Plan to be extraordinary in many ways.
It's extremely thoughtful. The amount of public input was
just amazing and to the credit of the staff.
I'd like to caution my fellow Board members that
this is not an exact science. This is a fluid process.
And we as Board members need to stay at the 50,000 foot level and allow our very, very experienced staff to provide guidance.

And I would hate to get to the point where we are requesting details that are beyond the staff's ability to, one, answer and creating a plan that is so detailed that it's almost impossible to have the result it's intended to. So I want us to be careful.

ACTING CHAIRPERSON ROBERTS: Thank you. I was trying to say that but not as eloquently earlier. But thank you.

You missed the testimony and with it the lavish praise that was heaped on staff at numerous opportunities. Some of it wasn't very sincere I think. But for the most part it was.

Okay. Do we have any -- Mayor Loveridge.

BOARD MEMBER LOVERIDGE: Just to pile on to that comment, it seems to me one of the lessons that you don't want the perfect to stand in the way of the good.

I think it was the overwhelming agreement on the goodness of this plan that we heard here yesterday.

The other was I thought Mary's point, which I think is so important. This is not the end. This is the start. This is the beginning. This is we're establishing directions. I thought that point was really important to
ACTING CHAIRPERSON ROBERTS: There will be a lot of work left after December event. We'll keep that in mind.

With that, do we have to do anything else to this today? There's no other further action.

EXECUTIVE OFFICER GOLDSTENE: No action. We will proceed with the direction that you've given us and get back to as we proceed and prepare for the December 11th meeting for adoption.

ACTING CHAIRPERSON ROBERTS: Okay. With that, we're going to move into the next item. This is Item 8-10-3, amendments to the current regulations for small off-road engines.

Staff is proposing amendments that would address the excessive accumulation of emission credits which has led to a situation where over 75 percent of small off-road engines do not need to meet the emission standards currently in effect.

Staff is also introducing changes to the credit program which will help ensure advancement of cleaner engine technology while preserving manufacturer compliance flexibility.

Mr. Goldstene, would you begin this item?

EXECUTIVE OFFICER GOLDSTENE: Thank you,
Supervisor Roberts.

Today staff is proposing to amend California's existing small off-road engine regulations. Small off-road engines are those engines below 19 kilowatts and are typically found in leaf blowers, chain saws, and lawn mowers.

Currently, the regulations include an emission credit program. Staff's proposed amendments would reduce the amount of emission credits generated and used to reduce the impacts on air quality and increase the number of engines that meet the emissions standards.

Furthermore, staff is proposing changes to encourage the use of advanced emission control technologies.

In 2003, the Board approved Tier 3 emission standards for these engines. These standards were based on the use of catalytic converters and represented an additional 35 percent reduction in exhaust emissions from the previous hydrocarbon and oxide of nitrogen emission standards.

This year, 2008, is when all small off-road engines should have met the Tier 3 emissions standards. However, as you mentioned, staff has found that over 70 percent of small off-road engines are certified at a level higher than the emission standards throughout the use of credits.
As of the end of the 2007 model year, more than 10,000 tons of hydrocarbon and oxides of nitrogen emissions were banked. If these credits were expended over five years, that would represent an emissions increase of about 5.4 tons per day. Because it's unknown when these credits may be used, they could jeopardize California's SIP attainment. As a result, staff is proposing to modify the emissions credit program by limiting the lifetime of certification emission credits to five years and by introducing zero emission equipment credit.

The first two proposed changes would better control the emission credit banks while zero emission equipment credits would encourage the use of advanced technologies. Other relatively minor modifications are also being proposed and they'll be discussed in the staff presentation.

I'll now turn the presentation over to Yun Hui Park of the Off-Road Control Section.

(Thereupon an overhead presentation was presented as follows.)

MS. PARK: Thank you, Mr. Goldstene. Good morning, Supervisor Roberts and members of the Board.

The following presentation is the staff's proposal to amend California's small off-road engine
regulations with an emphasis on improving the emission credits program.

--o0o--

MS. PARK: First, I will provide some background information to explain the need for these amendments, then present staff's proposed modifications, followed by staff's recommendation.

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MS. PARK: To begin, here are examples of the types of equipment which will be affected by the proposal. Small off-road engines are spark ignition engines with a power rating of less than 19 kilowatts or about 25 horsepower. The engines are installed in a variety of lawn and garden equipment and utility equipment typically categorized based on the size of the engine.

For example, engines less than 80 cubic centimeters are usually used in hand held applications such as leaf blowers, string trimmers, and chainsaws. Engines between 80 and 225 cubic centimeters are usually installed in non-hand held equipment such as walk behind lawn mowers. Engines greater than 225 cubic centimeters are typically used in equipment such as riding mowers.

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MS. PARK: In 2003, the Board adopted the Tier 3
emission standards which were based on the use of advanced
technology such as catalytic converters and would achieve
approximately a 35 percent reduction of hydrocarbons and
oxides of nitrogen emissions compared to the Tier 2
exhaust emission standards. These emission reductions
however have not been realized as originally planned. The
reason for this is explained in the next four slides.

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MS. PARK: Before the Tier 3 emissions standards
took effect, small off-road engines were subject to the
Tier 2 standards and were able to generate and bank
emission credits under the existing emission credit
program.

At the 2003 hearing, safety issues surrounding
the use of catalytic converters greatly overshadowed all
other issues, including a flawed emission credit program.
Thus, no revisions to the emission credit program were
proposed at that time.

As shown here, because of the large unintended
surplus of banked emission credits, the majority of 2008
small off-road engines do not meet the Tier 3 emission
standards. Of particular concern, for example, are the 80
to this 225 cubic centimeter engines, which are used
mostly in lawn mowers. Here, over 90 percent of these
ingines were certified at an emission level above the
emission standards.
The next few slides explain how this situation came to be.

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MS. PARK: The intent of the emission credit program is to incentivize early introduction of cleaner equipment while providing manufacturers with flexibility on how they certify their products to meet the emission standards.

Currently there are two types of emission credit available for small off-road engines. Certification emission credit are derived from the difference between the engine families emission level and the emission standards. The certification emission credits provide a manufacturer with the flexibility to certify dirtier engine families that are more of a challenge to bring into compliance.

Production emission credits are derived from the difference between production line testing results and the engine family's emission levels. Typically, manufacturers design their engines so that the engines perform comfortably below the engine family emission level during the production line testing. Thus, any emission margin observed during production line testing is used by the manufacturer as a cushion to ensure compliance.
Other than small off-road engines, no mobile source category is allowed to use this margin to generate emission credits.

MS. PARK: As an excess of emission credits have been banked because of the existing program places no limit on the lifetime of these credits. The emission credits remain available long after the equipment for which the credit was given is no longer in service. Staff believes it is appropriate for emission credits to remain available only as long as the equipment from which the credits were obtained remains in service.

Allowing the generation and banking of production emission credits has exacerbated the problem. As mentioned, production credits were intended to provide a cushion to offset compliance problems, yet no production credits have been used to date for such problems. As a result, excessive production credits have been generated and banked and account for about half of the existing banked emission credits.

Furthermore, since the production credits are based on random production line testing that may not take into account the dirtiest engines within a family, the credits do not truly represent verifiable and enforceable emission reductions.
Because of these flaws in the existing emission credit program, credit banks have grown the over 10,000 tons of hydrocarbons and oxide of nitrogen emissions. If the existing emission credit program is not revised, the credit banks could continue to grown. Because these credits do not represent real emission reductions, SIP attainment could be jeopardized.

To remedy this situation, staff is proposing the following changes. Staff proposes to limit the lifetime of certification credits to five years which is equivalent to the average useful life of small off-road equipment. Staff also proposes to end generation of production emission credits. This is appropriate because production emission credits do not represent real, enforceable reductions. And as mentioned, no other mobile source emission program allows them. The proposal could not take away previously generated production emission credits but instead would allow their use through the 2010 model year.

In addition to the changes effecting the existing credits, staff is proposing to introduce zero emission equipment credits. These credits would encourage
development of advanced emission control technology.

However, because some zero emission equipment already exist, credits would only be given to equipment which can demonstrate professional level performance.

The generated credits could be used to offset the emissions from dirtier family, but credit usage would not be allowed for engine families that would otherwise certify to more than 40 percent above the emission standard.

As staff has continued discussion with industry, we found that there is a need to provide more specificity to the definition of what is considered to be a professional level of performance. Specifically, a comparison of zero emission equipment to existing professional level equipment with spark ignition engines needs to be defined with more detail.

Thus, staff intends to work with industry to develop the needed specificity and subsequently propose and make available for public comment modifications to the regulation as part of the 15-day process.

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MS. PARK: With the suggested modifications to the emission credit program and the introduction of more advanced zero emission equipment, the expected Tier 3 exhaust emission reductions should be preserved. With the
proposed amendments, staff believes we will achieve the
hydrocarbon and oxides of nitrogen benefits as shown here
and originally determined in our 2003 rule making.

MS. PARK: In conclusion, staff's proposal would
preserve the benefits from Tier 3 emission standards
adopted by the Board in 2003. It would also continue to
courage the development of cleaner technology and would
provide manufacturers with compliance flexibility.
Therefore, staff recommends the Board adopt the
proposal.

ACTING CHAIRPERSON ROBERTS: Would the Ombudsman
please describe the public participation that occurred
while this item was being developed and share any concerns
or comments?

OMBUDSMAN QUETIN: Thank you, Mr. Chairman and
members of the Board.
This proposed regulation has been developed with
input from small off-road engine and equipment
manufacturers as well as the Engine Manufacturers
Association, Manufacturers of Emission Controls
Association, and the Outdoor Power Equipment Institute.
Staff began their efforts to develop this rule in
the summer of 2007. Two workshops were held in El Monte
on November 14th, 2003, and April 21st, 2008, with 40
people in attendance at each meeting. Also between October 2007 and August of 2008, staff held numerous meetings with over 15 stakeholder groups. The staff report was released for public comment on October 3rd, 2008, noticed via the ARB website, and sent to the over 6,600 people on several list serves. Thank you. There are some outstanding issues, but they will be discussed in a moment.

ACTING CHAIRPERSON ROBERTS: Thank you. Are this any questions any Board members have at this point?

We're going to move on to the public testimony. I have a list of five witnesses. And as we did with the earlier item, I'm going to call the names and I'll ask you to -- we'll be doing two minutes per speaker. And the first person I have is Henry Hogo followed by James McNew.

MR. HOGO: Good morning, Chairman Roberts and members of the Board. I'm Henry Hogo, Assistant Deputy Executive Officer of our Mobile Source Division in the South Coast Air Quality Management District.

I'm here to express to AQMD staff support of the proposed amendments today and particularly with the elimination of production credit.
We also support the zero emission equipment credit approach. And we believe that to specify this credit we need to make sure that the conditions of the equipment meet the same as the gasoline powered equipment. We do recognize there is a challenge in this approach, but we also believe that perhaps introduction of a partial zero emission equipment credit may help close that gap if there's a need to bring that zero emission technology forward. And that may provide some ability to bring about cleaner pieces of equipment.

With that, I would just urge the Board to adopt the proposed regulation today. Thank you.

ACTING CHAIRPERSON ROBERTS: Thank you.

Mr. McNew followed by Roger Gault.

MR. MC NEW: Good morning and thank you.

I want to thank the staff for working so diligently with the industry on this. There are many areas within this proposal that we do support wholeheartedly. But I'm going to concentrate on a couple of issues that we particularly have concern with.

One is within 1998 we did adopt certification emission credits understanding that it was necessary to create both the flexibilities as well as the fact that these did represent real and enforceable emission reductions.
Now we realize the emission bank looks very large, but that emission bank does show the success of the program and the fact those are emissions that were brought in early and they were beyond the scope of the standard. They were actually good benefits to the state of California's air quality.

We do support the elimination of the product line testing of credits. We also understand the need to limit the life span for the credits that were generated under the Tier 2 regulations. What we do not agree with is the limitation of the likely credits that are generated under Tier 3 as this is the main incentive that causes manufacturers to introduce technology is the incentive to use the credits at a later time when they're necessary.

Should these credits have a five-year life, then the incentive to the manufacturer is to delay the generation of those credits to later on when they may need them. And therefore the incentive is to actually draw the process out and not to bring the process in. I think it would behoove to Board to try to help create incentives that would allow manufacturers to keep those credits active under the Tier 3 program.

The addition to the Tier 3 program is that the emissions have been regulated from pre-regulation times by more than 90 percent. So therefore the delta that's left
for us to generate credits from are significantly reduced. And so therefore for the most part we are in favor with many of those proposals. But for this particular aspect --

ACTING CHAIRPERSON ROBERTS: Thank you.

BOARD MEMBER BERG: Mr. Chair, are you going to have staff comment at the end?

ACTING CHAIRPERSON ROBERTS: I'm going to have them comment at the end.

BOARD MEMBER BERG: Thank you very much.

MR. GAULT: Mr. Chair, Roger Gault representing the Engine Manufacturers Association.

I would like to echo the comments made by Mr. McNew of Outdoor Power Equipment Institute. We worked extensively with staff throughout this process.

There are two quick things I'd like to bring up. One James brought up with regard to the Tier 3 credit creation process. The Board consistently through not only this rule and this product line but through all product lines seems to have issued incentives or direction to industry that you're interested in pursuing early introduction and products that overachieve. And by putting a credit life on products that overachieve, you're creating a disincentive that is unintended.

The other point I wanted to make is in regard to
the zero emission product proposal. This was really not
invented very well in the workshop process. In the second
workshop, it was identified as a concept without any
detail. We did have some discussion with the staff. It's
not like they didn't talk to us in between the second
workshop and the proposal. But I think it has a long way
to go before it's really ready to be adopted as a rule
making.

If you're concerned about excess credits, it
seems like the potential of creating credits for zero
emission products that would allow gasoline product 40
percent over the standard would be going the wrong
direction for what you're trying to do. You need a fully
vetted zero emission product standard including a test
procedure to figure out what the equivalence is in order
to properly assign the emission benefits that you're going
to give credits for. Thank you.

ACTING CHAIRPERSON ROBERTS: Great. Thank you.
Neil Maguire. And our last speaker Dr. Rasto Brezny.
MR. MAGUIRE: Hi. I'm Neil Maguire with LION
Cells, a lithium battery manufacturer in Menlo Park,
California. And we would just like to voice our support
for the zero emission equipment program.
Lithium ion batteries have very high-powered
weight ratio. They made transformational changes in power
The one requirement I do think we should update is the requirement that it runs for the duration of a gas can. When we go to our lab, it takes about two seconds to replace, pull one battery out and replace another one.

Professionals in the power tool industry have a very rapid switching in and out batteries. It would be cost prohibitive to require that the battery need to be so big it needs to run for four hours or a duration of the day.

In terms of recharge, these batteries recharge in about 30 minutes to about 85 percent of their capacity. So the typical process is you have two batteries, one recharging and one ready to go.

We've talked to commercial landscapers. They love the simplicity of electric lawn mowers, the lack of maintenance they need to do. There's climate change benefits. There's reduction in foreign oil. And we have cleaner air.

So we would just like to promote this program. It's also creating the market demand that companies like us need. We've created 35 clean jobs in Menlow Park, California. You're welcome to come and see our lab and our factory. We can create more jobs if the market demand was there for these products.
ACTING CHAIRPERSON ROBERTS: Thank you.

Final speaker.

DR. BREZNY: Thank you, Board members and staff

for this opportunity to speak today in support of this
proposal.

My name is Rasto Brezny. I'm the Deputy Director
for the Manufacturers Emissions Control Association, a
nonprofit association representing the leading
manufactures of emission control technology for motor
vehicles, including providing catalysts for spark ignition
equipment.

Although the original intent of the Tier 3
standards was to take advantage of the best available
control technology, such as catalysts, the ability of
engine manufacturers to develop cleaner engines and the
existence of emission credits has allowed them to meet and
in some cases exceed the current standards. So we
certainly support the adjustments in the credit system
there.

The catalyst technologies available today benefit
the entire range of small spark ignited engines to achieve
the current standards without emission credits.

The technology is based on years of experience
with spark-ignited engines. And in fact, for small
ingines, these catalyst fit right inside the exhaust
muffler.

In 2005, over four to five million pieces of catalyzed hand-held equipment was sold in the US. And over 500,000 catalyzed lawn mowers have been sold in Europe since the late '90s.

So our members are currently supplying catalysts to European manufacturers for both hand-held and non hand-held engines and devices where emission credits don't exist as a compliance option.

So in closing, we support the proposed changes, and we thank the staff for their work in bringing forth this proposal. Thank you.

ACTING CHAIRPERSON ROBERTS: Thank you. That completes the public testimony.

Can staff address the issues that have been brought up?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: The two issues that we heard there was that manufacturers are fine with putting some restrictions on the credit program, but would like the newest engines to be able to generate unlimited credit life.

And I think our concern here is that this credit program simply got out of control. And it was an unintended consequences when we proposed it to you the first time.
And the net effect is that it's not encouraging technology. It's discouraging technology. So the comments of about having credits to help encourage technology really hasn't come to reality here.

The area that we think it can really help is on the second issue, which is the ZEV credits or the alternative fuel. But really it's -- alternative technology. But it's really zero emission electric type of commercial engines that lawn and garden workers use all day long. And we think that's an area where we would like to see credits being generated and then used to encourage this kind of technology.

At least if we had -- if the result was somewhat not as anticipated and we ended up with regular lawn mowers that are dirtier than anticipated, but we had a bunch of zero-emitting lawn mowers out there, that would be a good outcome. Right now all we have is no catalysts at all on this equipment, and it's not what we had anticipated in this rule. And we had this huge fight with Senator Bond and Stratton over the two-year period. And we basically won the battle and somehow lost the objective here. So that's why we're trying to re-focus this towards the electric.

And it's true that not all the details of the electric credit system have been developed, but we think
it's not unreasonable that we try to work out the test
procedural issues and those in the 15-day period with all
the effected stakeholders. There may be missing pieces of
information right now, but I don't think it's complicated
pathway to end up getting something that the Board would
be comfortable with.

ACTING CHAIRPERSON ROBERTS: Okay.

BOARD MEMBER BERG: Could you also comment on the
speakers' comments regarding the standard for performance
equivalent to the gas engine?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: That's
in the context of the zero emitting vehicle.

The real objective here was to take a step away
from residential use electric equipment for which there's
lots of it now and try to look at what's being used by
lawn and garden services that take care of your house.
And that's where a lot of emissions come from.

So the criteria we're trying to get at is we only
get credit for something that would actually do the job of
a full day worth of work. And clearly the residential
stuff won't do that right now.

So I think the certain of the speaker was that we
not be overly restrictive such as a piece of equipment
with two batteries that could be swapped out would be
excluded. And that's what you do with your lithium ion
drill. You have one in the charger and swap them out
rather than having to have a big battery pack that
wouldn't survive for a 12-hour workday.

BOARD MEMBER BERG: So my understanding that
staff would be open to that type of resolution?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Yeah.

I think so.

RESEARCH DIVISION CHIEF CROES: Yeah. I think
the big trick is the regular battery that we look at out
there don't inadvertently qualify. I think how we draw
that line is very, very challenging. And I think
that's --

BOARD MEMBER BERG: Thank you.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: And the
distinction is some battery things like a wood whip is
maybe good for an hour worth of use. What we really need
is something that's good for four or eight hours' worth of
use for a professional.

ACTING CHAIRPERSON ROBERTS: We have a very
aggressive lawn mower trade-in program. And those are
limiting the electric lawn mower. And it's a great piece
of equipment, but they're maybe 8, 10,000 square feet max
is what you're going to get out of a charge. So something
that could get us even two batteries gets you through a
day would be a great benefit on the commercial side.
BOARD MEMBER TELLES: A point of information.

There's a few gardening services in Fresno that use the current small battery. What they have is kind of innovative technology from San Joaquin Valley again. This guy has solar panels on his truck. And he's charging his batteries all day long. As he's mowing the lawn, his puts the battery in the solar panel and he hasn't used gas lawn mowers in years. There's ways to do it with the current battery.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: I think the gentleman that mentioned the lithium ion batteries, that technology got twice the energy and half the size. As that comes into the marketplace, it gives you a better chance of being able to better meet the objectives.

ACTING CHAIRPERSON ROBERTS: That's exactly what we want to encourage.

Okay. Any further comments? If not, want to close the record. Since all of the testimony, written submissions, and staff comments for the item have been entered into the record and the Board has not granted an extension for the comment period, I'm officially closing the record on this portion of the agenda item number 08-10-3.

Written or oral comments received after the comment period has closed will not be accepted as part of
the official record on this agenda item.

And we should go to ex partes statement now.

Remind all Board members of our policy concerning ex parte communications with the public. While we may communicate off the record with outside persons regarding Board rulemaking, we must disclose the names of our contacts and the nature of the contents on the record. This requirement applies specifically to communications that takes place after the public agenda of the Board hearing has been published.

And I'll start all the way to my right and ask if there are any comments.

BOARD MEMBER BERG: No comments.
BOARD MEMBER BALMES: Same for me.
BOARD MEMBER D'ADAMO: No.
BOARD MEMBER HILL: No.
BOARD MEMBER TELLES: No.
BOARD MEMBER SPERLING: No.
ACTING CHAIRPERSON ROBERTS: Okay. All the Board members are currently sitting here.

BOARD MEMBER HILL: I'll move resolution-08-41.
BOARD MEMBER BALMES: I'll second.
BOARD MEMBER KENNARD: Second
ACTING CHAIRPERSON ROBERTS: Okay. We have a motion and two seconds. I'll let staff figure out who was
If there are no further comments, I'll ask for a voice vote. All in favor signify by saying aye.

(Ayes)

ACTING CHAIRPERSON ROBERTS: Any opposed?

Hearing none, we'll deem that to be unanimous and moved on to the following item.

This item 08-10-4 amendments to the current regulations for large spark-ignition engines with an engine displacement less than or equal to one liter.

Staff is proposing amendments to California's existing off-road large spark-ignition engine regulations to include more stringent exhaust and evaporative emission standards and requirements.

Mr. Goldstene, would you introduce this item, please?

EXECUTIVE OFFICER GOLDSTENE: Thank you, Supervisor Roberts.

Today is staff is proposing to amend California's existing regulations for large spark-ignition engines with an engine displacement less than or equal to one liter.

In today's presentation, we'll refer to these engines as LSI engines less than one liter.

In 1998, the Board first established emission standards for LSI engines less than one liter, and these
engines were fueled by gasoline or alternative fuel such as compressed natural gas and liquefied petroleum gas. They do not include diesel engines.

Examples of the engines affected by this rulemaking include those used in portable generators, large turf care equipment, industrial equipment such as forklifts, scrubber, sweepers, and airport ground support equipment.

In 2006, the Board approved more stringent emission standards for LSI engines greater than one liter. At that time, staff did not propose any changes to the emission standards for LSI engines less than one liter. However, in recent years, the population of LSI engines less than one liter, the number of engine families, and the maximum power ratings for these engines has grown significantly, making emissions from the smaller LSI engines a greater concern.

To address this concern, staff is proposing to establish a new sub-category LSI engines less than or equal to 825 cubic centimeters and more stringent exhaust emissions standards for LSI engines between 825 and one liter. The standards would begin in 2011 and become more stringent in 2015. Additionally, for the first time, staff is proposing to require 2011 and later model year equipment with these engines to meet the same evaporative
emission standards applicable to small off-road engines.

Finally, staff is proposing to allow LSI engines used in vehicles similar to off-highway recreational vehicles to use the recreational vehicle test procedures and certification procedures which will help reduce compliance costs.

I'll now turn the presentation over to Scott Roland from the Off-Road Controls Section. Scott.

(Thereupon an overhead presentation was presented as follows.)

MR. ROLAND: Thank you, Mr. Goldstene. Good morning, Supervisor Roberts and members of the Board.

Today's presentation will summarize the staff's proposal to amend California's existing regulations for new off-road large spark-ignition engines with an engine displacement less than or equal to one liter.

MR. ROLAND: In this presentation, I will provide some background information and then discuss our proposal to reduce emissions from these engines, including the environmental benefits and the economic impacts followed by our recommendation.

MR. ROLAND: The LSI category consists of off-road spark-ignition engines above 19 kilowatts or 25
horsepower. LSI engines are fueled by gasoline or an alternative fuel such as liquefied petroleum gas or compressed natural gas.

LSI engines less than one liter are typically found in equipment such as portable generators, large turf care equipment like zero turn radius riding mowers, industrial equipment such as material handling equipment, scrubbers, sweepers, and various airport ground support equipment.

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MR. ROLAND: The Board first approved regulations for these engines in 1998, requiring these engines to comply with the adopted emission standards by 2002.

In 2006, the Board approved a more stringent emission standards for LSI engines larger than one liter. At that time, staff did not propose any revisions to the emission standards for LSI engines less than one liter, so they remained at the levels set in 1998.

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MR. ROLAND: The current standards for LSI engines less than one liter are significantly less stringent than those for LSI engines larger than one liter. And in fact they are even less stringent than the Tier 3 emission standards for small off-road engines greater than 225 cubic centimeters.
MR. ROLAND: In addition, both the population of these engines and their associated emissions have grown significantly and are expected to continue growing, specifically if the current relatively less stringent emission standards for these engines remain unchanged.

MR. ROLAND: A review of the certification data shows just how the difference in stringency has affected the market.

The number of engine families certified just below one liter has more than doubled since 2003, as shown in the circled yellow and blue bars.

Currently, there are 21 engine families certified with engine displacements between 950 cubic centimeters and one liter.

Additionally, compared to 2003, there are no longer any engine families certified between one liter and 1.6 liters. This shows a migration from the more stringent, greater than one liter category to the less stringent less than or equal to one liter category. The end result is reduced emissions benefits from these engines.

MR. ROLAND: Thus, staff's proposal would set
more stringent exhaust emission standards for the less
than or equal to one liter engines. The proposal would
also set new evaporative emission standards for these
ingines.

In addition, during the development of the
proposed regulations, concerns were raised that some LSI
ingines are used in equipment that operate in a manner
very similar to off-highway recreational vehicles and
therefore their emissions performance should be evaluated
accordingly.

Thus, staff proposes to allow manufacturers of
LSI engines used in vehicles similar to off-highway
recreational vehicles to certify these engines using the
recreational vehicle test procedures.

MR. ROLAND: The current and proposed emissions
standards are shown here. We propose to create two
classes: Engines less than or equal to 825 cubic
centimeters and engines between 825 cubic centimeters and
one liter.

Over the next several slides, I will review what
technology would likely be required to meet those levels.

MR. ROLAND: We are proposing the 825 cubic
centimeter cut point, because engines less than 825 cubic
centimeters tend to be used in much less expensive equipment. These engines represent approximately 10 percent of the engines in the category and are mostly designed for turf care equipment. Their performance and operation characteristics are comparable to small off-road engines. Therefore, staff proposes that these engines meet emission standards equivalent to Tier 3 emission standards for small off-road engines.

MR. ROLAND: Are there technical road blocks related to the proposed less than 825 cubic centimeters standards? No. To meet the proposed standard, these engines will likely even require engine modification and air fuel ratio changes, and thus catalytic converters would not be necessary to meet the standards.

MR. ROLAND: Are there any technical road blocks related to the proposed 2011 standards for LSI engines between 825 cubic centimeters and one liter? No. These engines will also likely only require engine modifications and air fuel ratio changes. Although some manufacturers may consider the use of catalysts to meet the emissions standards, it is likely that most will pursue other less expensive means,
especially since four non-catalyst equipped 2008 engine family already meet the proposed 2011 emissions standards.

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MR. ROLAND: What about the proposed 2015 emission standards? While there may be technical concerns raised by industry, staff believes that again there are no technical road blocks related to these proposed emission standards.

Compliance with the proposed 2015 emission standards will likely be based on water cooled engines with closed loop electric fuel injection systems and three-way catalysts.

Although these technologies are not common in this segment of the market, they are well established, prove emission control technologies. Three currently certified engine families meet the proposed emission standards now.

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MR. ROLAND: Although industry may contend that there are technical issues, staff believes that the real issue primarily comes down to cost, particularly for the proposed 2015 emission standard.

Based on figures submitted by industry, the staff estimates an average increase of $1,940 per unit to meet the more stringent standards. When compared to the
average equipment cost of $14,000, this would be a 14 percent increase.

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MR. ROLAND: On a per engine basis, the cost effectiveness of staff's proposal is favorable. The upper cost effectiveness of $6.40 per pound of reactive organic gases plus oxides of nitrogen that would be reduced compares well with other emission control regulations adopted by this Board which range from less than one dollar to $11 per pound.

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MR. ROLAND: Overall, staff's proposal would result in a reduction of approximately 8.4 tons per day of reactive organic gases plus oxides of nitrogen emissions statewide in 2020.

In 2030, the proposal would reduce approximately 15.4 tons per day of reactive organic gases plus oxides of nitrogen. There is also a possible carbon dioxide benefit associated with the proposal that has not yet been quantified.

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MR. ROLAND: In conclusion, staff’s proposal would provide significant emission reductions. The proposed emission standards are attainable with existing emissions control technologies and are cost effective.
Therefore, staff recommends that the Board adopt its proposal.

This concludes staff's presentation. Staff is ready to answer any questions the Board might have.

ACTING CHAIRPERSON ROBERTS: Okay. Let me first ask the Ombudsman to describe the public participation process.

Thank you.

Before we go to staff questions and comments, I'm going to ask the Ombudsman to please describe the public participation process.

OMBUDSMAN QUETIN: Thank you.

Members of the Board, this proposed regulation has been developed with input from a large spark-ignition engine and equipment manufacturers as well as several industrial associations.

They began their efforts to develop this rule in the summer of 2007. Two workshops were held in El Monte on November 14th, 2007, and April 21st, 2008, with 40 people in attendance for each.

Staff also sent an extensive survey to LSI engine and equipment manufacturers.

Between November 2007 and August of 2008, staff held numerous meetings with stakeholder groups. The staff report was released for public comment on October 3rd,
2008, noticed via the ARB website and sent to over 6,600 people on several list serves.

   And, yes, there are outstanding issues, but I'll leave it to the --

ACTING CHAIRPERSON ROBERTS: It will be developed during the testimony.

OMBUDSMAN QUETIN: Yes.

ACTING CHAIRPERSON ROBERTS: Are there any questions any of the Board members have before we start the public testimony had?

I'm going to call the first of the witnesses.

This list looks a lot like the last list. Henry Hogo is the first speaker. After two minutes a trap door will open right under the microphone, and you'll be gone.

MR. HOGO: Henry Hogo with the South Coast Air Quality Management District.

The AQMD staff is in support of the proposed amendments. And after speaking with staff, we've found that the proposed amendments will actually lead to some additional emission reductions that we do not see in the SIP. So this is a very good set of amendments.

We do have some concerns relative to setting the sub-category of 825 cubic centimeter, the standards for that sub-category to be different from the above 825 cubic centimeter.
Our concern is that, as you've seen in the past, some migration from the higher displacement level to the lower one. And we're concerned that equipment engine manufacturers will start making equipment that will be just below 825 to not meet the more stringent standard that's established between 825 and one liter.

So we will recommend that you strengthen the proposed amendments today and set the emission standards for all categories under one liter to the more stringent 6.5 standards and the .8 standard in 2015. Thank you.

ACTING CHAIRPERSON ROBERTS: Thank you.

Next speaker is Lawrence Keller followed by Roger Gault.

MR. KELLER: Good morning, members of the Board and staff. My name is Larry Keller of Polaris Industries. Polaris is a manufacturer of motorcycles, snowmobiles, all-terrain vehicles, and a class of recreational off-highway vehicles known as side by sides.

Polaris is a member of the recreational Off-Highway Vehicle Association, ROVA. We support the intent of the brief written comments that were submitted by ROVA.

Polaris has worked closely with the ARB staff during the rule making. We appreciate the consideration that the staff has made regarding certain recreational
off-highway vehicles that would meet the off-road sport vehicle classification and off-highway vehicle regulation except for the 600 pounds payload limit.

Polaris supports a number of the staff's recommendation as noted in our written comments. We will appreciate the Board's consideration of our comments including our hopeful suggestions for near-term vehicle classification alignment and our pragmatic request for a model 2012 start date for the subject vehicle category if it must be subject to the proposed LSI emission limits.

Thank you for the opportunity to offer these comments.

ACTING CHAIRPERSON ROBERTS: Thank you.

The next speaker is Roger Gault, going to be followed by James McNew.


Again, we worked with the staff extensively during the development of this rule. And there's a lot of alignment between what the staff has proposed and what we would agree with. There's two points I think we need to make.

One was in regard to the 825 cc cut point and the concern of engines straddling that line and ending up with higher numeral limit. The 19 kilowatt cut point between
small LSI and LSI is one that's easily manipulated if you will. Whereas, the displacement cut point is not. We believe the engines that are currently classified as LSI but less than 825 cc are more appropriately classified as small LSI. They just have to be rated at power greater than 19 kilowatts. They fall over that line. It's a minor point, but does emphasize the fact we're talking about splitting hairs here.

The other point is in regard to the alt year exhaust standard for the 825 cc to one liter engines and the 0.8 gram per kilowatt hour level. We agree with the staff's assessment of what technology will take to get there. But we do not believe that those engines will actually be developed and placed in the marketplace. The unit volume for California for that particular segment is extremely small. We're talking about even with the inflated numbers that we're hearing from staff, which we don't necessarily agree with, we're convinced that manufacturers will not invest in an entirely new and unique product line, liquid cool multi-cylinder closed loop with aftertreatment, for this narrow market in California. And the consumers will either be using their old equipment by keeping it running longer or re-building engines, et cetera, or replacing with diesel powered product.
Diesel powered product meets NOx standard in the out years of roughly five grams per kilowatt hours which EMA proposed for this category. I think the actual number is 4.7. Staff has indicated that they think the cost of that diesel equipment will be significantly higher because of the upcoming Tier 4 diesel standards which will drive PM filter --

ACTING CHAIRPERSON ROBERTS: Roger, I'm going to wrap you up here before I push this button.

MR. GAULT: Thank you.

ACTING CHAIRPERSON ROBERTS: You and the microphone will disappear. Thank you.

James McNew followed by Dr. Rasto Brezny.

MR. MC NEW: Good morning again. And again as Roger had said, which I support his comments, there has been significant work with staff on this.

The one area we are concerned with is in 2014 or 2015 when the standard would go down to .08 grams per kilowatt hour. At that particular time, as Roger had noted, transition will be more towards the diesel or those products will simply disappear from the market.

The cost impact of this is not just on the manufacturers. The manufacturer's choice will be made strictly upon a business decision as to whether they can recover the money or the investment in changing those
products over to that level.

The big impact is upon businesses within California. Those that rely upon the larger pieces of equipment to do the work they're intended to do. And I do not know that that impact has been analyzed within this rulemaking, and it should be considered because most likely they are the ones that are going to carry the brunt of this decision. Thank you.

ACTING CHAIRPERSON ROBERTS: Thank you.

Last speaker.

DR. BREZNY: Once again, good morning. Rasto Brezny with the Manufacturers Emission Controls Association.

MECA believes that the proposed changes to the emission limits for this category of engines as outlined in the staff report are reasonable and achievable and the technologies are available today.

As discussed in the staff report, there is a shift in the marketplace for these 25 to 50 horsepower engines to be downsized to avoid meeting the tighter emission limits for the larger engines.

And currently all LSI engines less than one liter are meeting the current standards and in fact several manufacturers have certified engines to emission limits of 0.5 grams per kilowatt hour.
The catalyst technologies are available today which can be combined with advanced closed loop control engines in order to meet the long-term emission limits as outlined in the proposal.

We also support the tighter evaporative emission limits, because again these passive evaporative controls are readily available and are used on a diverse range of spark-ignited engines.

And finally our members are committed to working with engine manufacturers and other stakeholders in order to make sure the technologies are available.

And I thank you for your time and thank the staff for their hard work.

ACTING CHAIRPERSON ROBERTS: Thank you.

That concludes the public testimony.

Mr. Goldstene, are there any comments? Does staff want to respond?

EXECUTIVE OFFICER GOLDSTENE: No comments.

ACTING CHAIRPERSON ROBERTS: Okay.

BOARD MEMBER BERG: I'd be interested in staff responding to the question about the year 2015.

And I'm confused. Is there a regulation that is going to affect that would cause more of these engines to be manufactured for other than California?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: No.
The way we've proposed the regulation is a slight tightening of the standard in 2011 and then a further tightening in 2015.

And the EPA standards that were adopted are more like the 20 -- closer to the 2011 standard, but they do not take the next step down to a real well controlled engine in 2015.

So the argument about model and availability was that manufacturers wouldn't provide some of these engines to California, because they do not have a requirement to provide clean engines to EPA and the other states.

We don't think that's going to happen to any great degree. I think a lot of the issue has been that if you look at lawn and turf care, there are engines and pieces of turf care equipment out there that sell four or ten or something in the state per year by a given manufacturer. And bottom line to that is that people won't bother to make those comply. It will be too extensive.

But there are other competing pieces of equipment that look similar and do the same job that have higher volumes that can be used. I don't think there's any specialty equipment here that would be somehow become unavailable that wouldn't allow people to do a task they're doing now. So we just most likely be a
consolidation of the number of models that are available.

If you look at turn control equipment with the big blowers out in front in parks. From one manufacturer, I think there's like seven or eight or nine different models. They're all the same. They're spread out for slightly different sizes difference and people will just have somewhat narrower choice at that point in time.

We do think that for the higher volume stuff, manufacturers will make the engine changes, because the water cooled are more efficient and durable and have other advantages to them and are what our emissions standards would require.

HEALTH AND EXPOSURE ASSESSMENT BRANCH CHIEF BODE:

Fifteen out of 24 right now of these models have water cooling engines in them. And the water cool engines is the key to going to this cleaner technology.

So basically the market in our view already has enough of the core technology to be able to cover what it needs to cover. They'll will have to spend money as the staff indicated to put more emission controls on it. But the things that would require them to model redo the frame of the vehicle, for example, to accompany a new engine, it's already been done to 15 out of 24.

ACTING CHAIRPERSON ROBERTS: You had already seen a shift to the less than one liter size, but you're not
expecting the next shift to occur to move into the less
than 825 cc's?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: I think
we don't think so. Because now you're sort of moving away
from a more car quality type engine into something that is
more like a lawn and garden engine. And so it could
happen, but we think there's probably not enough power out
of that lower displacement available to serve the needs of
the equipment. And therefore they'll stay above the 825.

ACTING CHAIRPERSON ROBERTS: Okay. Is there
any -- first let me see if there are any more questions
before we get to the ritual.

Okay. I need to close the record, since all of
the testimony, written submissions, and staff comments for
this item have been entered into the record and the Board
has not granted an extension of the comment period. And
I'm officially closing the record on this portion of
Agenda Item Number 0 8-10-4.

Written or oral received after the comment period
has closed will not be accepted as part of the official
record on this agenda item.

Ex parte declarations here. I'll start with
Mayor Loveridge.

BOARD MEMBER LOVERIDGE: Negative.

ACTING CHAIRPERSON ROBERTS: Negative. Negative.
John, you were shaking your head yes and saying no.

There are no ex parte disclosures.

You'll review the resolution before you.

BOARD MEMBER HILL: I'll move Resolution 08-10-4.

BOARD MEMBER BALMES: Second.

ACTING CHAIRPERSON ROBERTS: We have a motion and a clear second this time.

All of those who are in favor signify by saying aye.

(Ayes)

ACTING CHAIRPERSON ROBERTS: And any opposed?

Hearing none, we'll deem that to be unanimously approved by all the members here. And that item is committed.

And the only thing I have left is we have public comment at the close of the meeting. I have list with four speakers who have asked to address us.

The first of those is Mr. John Dunlap who also has two minutes. If he goes over, he's in real trouble.

MR. DUNLAP: I got that loud and clear. Thank you, Mr. Chairman. It's good to be with you today.

I'm representing the American Home Furnishing Alliance. And I'm here to very briefly discuss some...
critical issues surrounding the implementation of the ATCM
for composite wood products that your Board adopted last
year in 2007.

The first implementation date is but 40 days away
and there are some significant hurdles that remain for the
program to be implemented effectively. I will join along
with the chorus of others to say how much we appreciate
the efforts of the staff. Staff has been terrific to work
with. However, they take very seriously the deadlines and
the arguments made in their rulemaking package. And
they're such more optimistic than the industry is about
the ability to be effectively implemented.

Having said that, there is a significant
bottleneck with third-party certifiers. We don't have
enough. In fact, there's only one that's been identified
coming from China. There's one in Hong Congress. There
needs to be many more.

Their volume in composite wood product delays.
The economics of certification is much greater than was
anticipated and reported to your Board. Therefore, we
believe that pragmatic workable solution would be to have
your Board ask some questions of your staff team, have
them give you a briefing how it's going. If you agree
like we think you will that more time is needed, there may
be a bridge and time that would be allowed. Perhaps a bit
of a delay. I don't want to cause anybody to get too worried about delays. We believe a delay could work in favor of effective implementation. It's not a jail break or something that's sinister. But it would give more time in order for this important rule to be effectively administered.

So what we're going to do, Mr. Chairman, is continue to have a dialogue with the staff and perhaps get on a few of your calendars to brief you.

We are working with the California Retailers' Association is very concerned about the exposure they would have when the rule begins being implemented this year.

So the take-away message is we're going to be talking to you. We want to see if we can get a bridge or little bit more time. We think the staff can put it to good use.

ACTING CHAIRPERSON ROBERTS: I think you're the one that put the lights on that podium.

MR. DUNLAP: Yeah. I see that. So with that, I thank you for your time today and your attention. And congratulations on your greenhouse gas efforts. This was terrific to watch.

ACTING CHAIRPERSON ROBERTS: Thank you. Dee Dee.

BOARD MEMBER D'ADAMO: I would like staff to
follow up on this. I do remember when the item was before us. There were concerns raised. We were optimistic as a Board and not taking a position one way or the other on whether or not a delay is needed. But just if staff could look into it further on the third-party certification.

ACTING CHAIRPERSON ROBERTS: I think it's referred to staff, and we'll assume they're going to look into it. It's not on our agenda, so we're not going to discuss it. Just refer this to staff.

MR. DUNLAP: And we'll come to you and try to get on a few of your calendars and give you a briefing and more detail.


Pedro Carillo and Max Ordenez will be our last speaker.

MR. CARILLO: Good morning and thank you very much. Thank you to your staff who was really good about making sure that we got to the podium.

We were part of the bus that rolled through here yesterday. I had never seen anything like it before. And been a long time since I've seen something like that.

I wanted to -- my colleague and I -- Max and I stayed over the night yesterday because we felt, one, it
was important. We are here already. You know, we already
spent the money to get here. Might as well stay and say
our piece.

We wanted to address all of you and bring your
attention to a few items that we think have been
overlooked.

What we would witnessed yesterday was basically
two polarized sides that didn't want to talk to each
other. When we walked up through the halls, people are
like who are you with. Want to give me a pin one way or
the other.

The folks that I saw yesterday, it was about ten
people that came up on their own dime with some really
serious concerns. Were actually trying to get their hands
around some fiscal impact information that they were
looking for to take back home. Who were those people?

People like myself who work with transit related
non-profits in and around urban cities like Los Angeles.
People like myself who work with municipal agencies and
are trying to deal with kind of fiscal impact -- true
fiscal impact that the State will have on their budgets
and kind of trying to get our hands around what AB 32 is
going to mean with real tangibles.

What does it mean to the prices of a bus fleet
for the school the transports 50 to 100 folks every month?
What does it mean to the dollar ride and the Meals on Wheels program that depends on their donations to get those programs going?

What does it mean to the small business folks like myself who may or -- are afraid. Just afraid of the unknown.

So we want to bring your attention to those concerns. We want to speak to you in specifics --

ACTING CHAIRPERSON ROBERTS: Thank you, Pedro.

MR. CARILLO: Thank you very much for your time.

ACTING CHAIRPERSON ROBERTS: Max. And I think they're going to want you to come to this other microphone if you would.

MR. ORDENEZ: Good morning, Board members. My name is Max Ordenez, small business person in Los Angeles. I had to leave a little bit early about 3:30 yesterday. So I wasn't able to speak.

I'm the treasurer with the California Hispanic Chamber of Commerce, involved with a lot of smaller local chambers in the Los Angeles area. And we just had some concerns in regards to the perspective of small businesses. And reading the Wall Street Journal this morning, they said a lot of the loan activity is starting to occur for small business.

I just want to make it very clear when the Wall...
Street Journal or the LA Times say small business, they're referring to private companies some 50 million or above. So the organizations we're involved with and the colleagues and members are very small. I'm talking they've been around five years, eight years, some even ten.

Additionally, I think the average employer is three or four people. Usually it's mom, dad, maybe uncle Joe or something like that.

In perspective to AB 32 and the Scoping Plan, if the goal is really to have a net sum of zero losses of jobs or small businesses and create a new industry.

And I think there's a disconnect in the fact of what is going to be that bridge for a lot of these small businesses being the access to capital. Although for a lot of minority businesses there's been some great gains in the small business loan programs, whether it's SBA or even through private loans, the majority of those loans actually come from the mortgages, from the line of credits that people start their businesses with. And right now that's not an option right now.

So under this critical environment that option is not there. I think again referring to the article in the Wall Street Journal -- I kind of laugh bit, because a lot of the small businesses are finally getting the loans they
deserve. But they're not talking about small merchants or the small consulting firm that two people had started in the back of their garage or what have you.

ACTING CHAIRPERSON ROBERTS: Max, I'm going to ask you to wrap it up right now.

MR. ORDENEZ: Just really consider that aspect of that and how are we going to bridge and have really a net loss of -- net gain of jobs and businesses. And that bridge is the access to capital. Thank you.

ACTING CHAIRPERSON ROBERTS: Okay. That completes all the public testimony, and I want to give Supervisor --

MS. WILLIAMS: I believe you called me and I missed you. I was two blocks away. May I still testify?

ACTING CHAIRPERSON ROBERTS: You're causing me to reconsider all of my rules that are sacred.

MS. WILLIAMS: Didn't you take it out of agenda?

Pamela Williams with the California Retailers' Association.

We'd like to just echo the comments that were made by the American Home Furnishings Alliance earlier during the public comment period about requesting a delay of the composite wood regulations. We have letter that we'll be submitting to all of you that lays out the reasons. Basically, the issue is one of lack of
certifiers particularly in Asia so that we have a serious
supply problem.

So we are requesting a delay. We're not
requesting modifications to the regs, rescinding of the
regs, no major changes. Just a delay in implementation.

We're also willing to go to a stronger standard
voluntarily in the mean time, the European E1 standard,
which will protect the public further than they're being
protected now. But that product is available now and
doesn't impact our supply issues.

So thank you very much, Mr. Chairman, for waiving
your rules?

ACTING CHAIRPERSON ROBERTS: Thank you. Okay.

With that, Supervisor Hill has a comment he would
like to make.

BOARD MEMBER HILL: Thank you, Mr. Chairman.

And since this is my last meeting, I wanted to
take a moment to thank the Board for the opportunity to
work with you. I've been honored, truly honored, by your
dedication, your commitment, your intelligence, your
diligence, and your professionalism. I can't tell you
enough how moving to the Assembly is truly a demotion I
think in every regard.

It's been a wonderful opportunity for me. And
the staff, it's beyond none. Every time there's a
briefing, every time there's a meeting, no matter what the
discussion, the professionalism and the knowledge base and
the science base of this staff led by James Goldstene is
extraordinary. And thank you for that.

Thank you for what you bring to the state of
California. And truly through the implementation of AB 32
what you're bringing to the world, because that's really
our future.

And the fear that I have is that the rest of the
nation and the world has not grasped the need and the
commitment that we've made in California through all of
you. So thank you very much for this opportunity. I'll
never forget it.

(Applause)

ACTING CHAIRPERSON ROBERTS: It's probably not
been nicer than seeing graduates of this course in air
quality go on. You'll be there in good company with Mark
and others who served well and really will be the voice
and probably the resident knowledge in most of the real
understanding of these issues. So we will wish you every
success, and we'll be there to visit you of this and
transit issues and other things.

Mayor Loveridge.

BOARD MEMBER LOVERIDGE: Well, I thought Mark
DeSaulnier set an enormously high standard as a Board
participate and Jerry Hill has equaled that standard.

We do look forward for additional funding for public transit. And godspeed on the $11 billion heading for 22 billion in terms of the state budget.

ACTING CHAIRPERSON ROBERTS: Okay. With that, we will declare this meeting adjourned at 11:25.

(Thereupon the California Air Resources Board adjourned at 11:25 p.m.)
CERTIFICATE OF REPORTER

I, TIFFANY C. KRAFT, a Certified Shorthand Reporter of the State of California, and Registered Professional Reporter, do hereby certify:

That I am a disinterested person herein; that the foregoing hearing was reported in shorthand by me, Tiffany C. Kraft, a Certified Shorthand Reporter of the State of California, and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said hearing nor in any way interested in the outcome of said hearing.

IN WITNESS WHEREOF, I have hereunto set my hand this 25th day of November, 2008.

TIFFANY C. KRAFT, CSR, RPR
Certified Shorthand Reporter
License No. 12277