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California Air Resources Board Chairman
Joint Hearing on Proposition 23
Overview of California Global Warming Solutions Act
Senate Committee on Environmental Quality
Assembly Committee on Natural Resources
Oct. 1, 2010
State Capitol

Senator Joe Simitian, Chairman, Senate Committee on Environmental Quality:

Let me just say by way of introduction – a little inside joke here: Your energy is not only seemingly endless, it is also renewable.

Mary Nichols:

That's a wonderful welcome, thank you. I have had the honor and privilege of administering large portions of the Global Warming Solutions Act. And I think that if it were to be passed today – and perhaps Senator Pavley will comment on this when she arrives – I think it would have been called by a different name. I think it might well have been called the California Petroleum Use Reduction Act because, in effect, that's what the law requires.

California ranks as the world's third largest consumer of gasoline, following China and the United States as a whole. And that's the main reason why California has chronically unhealthy air and why transportation is our number one contributor to global

warming emissions in this state. Our consumers and businesses are spending about \$180 million dollars a day for gasoline and diesel fuel.

Now imagine 10 years from now spending about 5 percent less on fuel. That is what the economic advisory committee forecast as a result of the increased investment in energy efficiency and cleaner fuels that would come by staying on schedule with AB 32 implementation. The 5 percent reduction in expenditure for fuel would free up an estimated 3.8 billion for spending on other goods and services, such as, for example, law school education or other forms of education. And I think it's not unrealistic to look at AB 32 in that light.

AB 32 was not created in a vacuum. It builds on years of environmental and energy legislation that put California on a path towards efficiency and reduced smog by over 90 percent in three decades. Three decades ago, California set (what was) then unprecedented appliance efficiency standards and building energy standards, which have saved consumers \$56 billion – or about \$1,000 for every household. So we're on our way to an even more comprehensive and effective energy- and money-saving path with the measures that the ARB has adopted as part of the implementation of AB 32.

AB 32 sets the metric. It requires us to reduce our emissions of global warming gases back to the 1990 level by 2020. But the way that we get there is by reducing the emissions from the combustion

sources that give us all of these greenhouse gases – and that's our vehicles, our fuels, the way we generate our electricity, the way we use our cars.

So we have been acting not just by ourselves, but really with most of the state agencies on this program since I arrived in 2007. And we produced our scoping plan on time in 2008 with input from the (Natural) Resources Agency, Food and Agriculture, all of the energy agencies. And really the implementation of AB 32 has been in my experience the most sustained and extensive example of cooperation among state agencies that I have seen going back to the 1970s. And all of the progress has been made with a huge amount of public input – workshops, work groups, etcetera; advisory committees, public comments – every step of the way.

Let me just cite a couple of the measures that we adopted that are going to achieve most of the required reductions. They include the clean car standards, which has already brought cleaner and more fuel-efficient vehicles to California consumers faster than would have otherwise occurred. This has been adopted by the Obama administration as the national standard.

We have the Low Carbon Fuel Standard, which is a market type fuel program that is expected to reduce the carbon intensity of passenger vehicle fuels by 10 percent in 2020. Ten percent may not sound like all that much, but it translates to a 20 percent drop in oil consumption – oil to make gasoline.

Last week the (Air) Board, as you know Chairman Simitian, approved a measure to reduce emissions from everyday driving through improved transportation and land use planning. That implemented SB 375, the Sustainable Communities and Climate (Protection) Act. And, at the same time, we also put in place the regulatory basis for a Renewable Energy Standard. We look forward to the Legislature and the Governor coming together on a bill that would establish this as a matter of state law. But in the meantime we do have a regulatory framework in effect.

Most of these measures – and people will tell you about the impacts on the economy – most of these climate measures have yet to take effect. And by taking effect, we’re talking about a gradual phasing in, not an instantaneous jolt that will require people to begin making changes on their businesses or in their lives on Day One. All of these measures play out over time and are driven considerably by consumer choice about types of vehicles and fuels that they want to purchase.

But we do have, I think, enough evidence to date to see that the overarching goal of transitioning to an economy that is grounded in more efficient, reliable and cleaner energy is something that we can do in a way that is relatively seamless and painless and equitable. And that has been the goal of my board in carrying out this law.

When Governor Schwarzenegger signed AB 32 into law, he said, “The debate is over. We know the science. We see the threat

posed by changes in our climate. And we know the time for action is now.” That declaration sent a message to the world – literally – setting California on a path to address climate change and establishing the state as a magnet for investment in clean energy and technology.

The drafters of AB 32 grasped the economic potential. As the law states, “By exercising a global leadership role, California will also position its economy, technology centers, financial institutions and business to benefit from national and international efforts to reduce emissions of greenhouse gases.” And I believe that you were right in that vision. Within a couple of years the economic co-benefits of California committing to its climate goals has sent a strong signal to the clean tech industry, which has been one of the few bright spots in the dimmest of economic times since the Great Depression.

I’ll leave it to others to cite more of the statistics. I’ll just point out that some of those who believe California ought to hit the pause button on AB 32 have said that it’s a mistake for California to “go it alone.” And I would just like to point out that your committee’s report cited by the Associated Press says some regions of the United States are recovering faster than others, while many Western states hit hard by the crisis are shedding jobs, and have seen their unemployment rates rise. All but two Northeastern states, meanwhile, saw private sector gains in August.

I just wanted to point out that the Northeastern states that are referred to here have some of the most aggressive climate policies in our country, and in fact have outperformed the national average in recent quarters. These states followed California's lead in adopted greenhouse gas targets with comprehensive climate state action plans. All of these states have aggressive renewable energy standards now, and the entire Northeastern region is aggressively pursuing development of their renewable resources through mandatory standards similar to our Renewable Electricity Standard, targeted investment in renewables and, most importantly, putting a price on carbon.

Just recently, the Northeastern governors agreed to develop a low carbon fuel standard based on California's. And perhaps most importantly, the 10 states that are participating in the Regional Greenhouse Gas Initiative – otherwise known as RGGI – have been conducting a smaller scale cap-and-trade program for two years now. Since December 2008, the proceeds from the program auction has totaled \$729 million, over 80 percent of which is now being plowed right back into strategic energy programs that are intended to benefit consumers – putting that back into the local economy and helping to build a clean energy sector in these states.

So California is not in fact “alone.” Our leadership has already generated a considerable amount of activity among states that would be viewed as competitors to us for new jobs and new businesses.

The authors of AB 32 understood that reducing greenhouse gases would improve and modernize California's energy infrastructure. And that, too, is moving from the word to the deed.

In the past two months the (California) Energy Commission permitted for development the state's first solar thermal project in 20 years, and the world's largest solar thermal project – a 1,000 megawatt powerhouse designed to supply enough energy at peak hours to power up to 750,000 homes. The project is also projected to provide hundreds of jobs to build, run and maintain it over the years.

According to the Center for Energy Efficiency and Renewable Technologies, another 700,000 megawatts of solar energy projects are in the pipeline – meaning, again, more jobs for people in the construction business – carpenters, masons and pipefitters as well as maintenance and ancillary activities.

So AB 32, although it is targeting our greenhouse gas emissions, is about energy security and reliability. And this is not a matter of rebranding. It's a matter of looking at what the actual impacts of the statute are, and how we will actually go about achieving the goals that AB 32 set for us.

It protects us not only through diversification of our energy sources, but will help cushion us from the roller coaster ride in oil and natural gas prices – such as we experienced in June 2008 when gasoline hit \$4.63 a gallon at the pump. For a state that burns

through 20 billion gallons of gasoline a year, that makes a huge hit on our pockets.

So everything that we at ARB and our sister agencies are doing under AB 32 is taking California where it needs to go anyway, which is in the direction of energy security and greater economic sustainability and also – not coincidentally – on public health.

These are the actual impacts of what we are doing and the way that we have designed the program. We know that there is already something in effect that's called a "climate penalty," where rising temperatures cause an increase in air pollution. We increase ground-level ozone, and that's of course a gas where we have the greatest problem.

Scientists in a recent study at UC Davis and Berkeley have predicted that in the next 40 years, California could experience as many as 30 more days a year when we violate federal clean air standards – simply as a result of the (climate) changes that are already underway. That's not something we can prevent by changing the climate. But it does mean that we are going to have to devote more energy, more money, more regulations, unfortunately, to reduce those emissions that cause smog – unless we can find ways to reduce our overall use of petroleum.

So I think that it's timely that four years to the day since Governor Schwarzenegger signed the Global Warming Solutions Act, we are now here to report that we have hit all the deadlines that you

created for us in the law, that we have made steady progress forward in implementing it. I think it's clear that we have sent a strong message to the investment community that California is open for business in the clean tech sector, that this is an area where we are growing – and that this will help also to clean up our air.

We look forward to continuing to move forward is sending these kinds of signals to the world as well as to clean up our air and work with our partners to address climate change.

I think that from our perspective, AB 32 serves a crucial function that coordinates our efforts in the energy area as nothing before has ever done, (and) forces us to work together in integrating these complementary goals. And I believe that it is harnessing these efforts in a way that will also help to achieve our environmental health and economic goals.

So I want to thank you for the opportunity that you have given to me to work on this important program. And I'll be happy to answer any questions that you may have.

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