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Testimony
AB32 Update
Assembly Natural Resources Committee
Oakland
Dec. 8, 2009

Note: Actual speech may have varied from this script

Madame Chair and Committee members,

It's an honor to be here today, to update you on the Air Board's success in implementing the Legislature's Global Warming Solutions Act, and the growing importance this visionary law has taken on – not only across the nation but across the world.

The opening of the international climate talks in Copenhagen this week makes this a good time to reflect on what has happened in the world in the three years since Governor Schwarzenegger signed AB 32. I have many success stories, and I would like to share a few of them with you:

Monday's EPA Announcement

First – as you've seen in today's newspapers – U. S. EPA Administrator Lisa Jackson announced that the federal government for the first time will put limits on greenhouse gas emissions from vehicles nationwide and require industries to report its emissions starting in 2011. Sound familiar? It should. You started all this. And Lisa Jackson acknowledged as much in her televised address when she said QUOTE "State action has been critical to getting us to the point we are today."

- Let me remind you that our Legislature set the course for our country to meaningfully address global warming more than eight years ago. You did so in approving the Byron Sher bill that created the nation's first inventory of greenhouse gas emissions – the California Climate Action Registry. This summer, the emissions reporting turned mandatory. And I am happy to report that the compliance rate is running 97 percent.

- Our Legislature also paved the way for nationwide limits on greenhouse gas emissions from passenger vehicles. You broke that ground seven years ago with the passage of AB 1493 – the Pavley Bill – which authorized the first such auto exhaust limits in the world. Finally, this past June, the EPA granted California its hard-fought waiver, allowing us to enforce the Pavley rules. We expect those limits to reduce global warming emissions from new passenger vehicles sold in California by as much as 22 percent in 2012 and about 30 percent in 2016.
- But the story doesn't end there. Today, the Air Board is working with the President Obama administration and international automakers to establish national standards as stringent as California's for all vehicles sold in the US – starting in 2012. This will do more for climate change than anything the US has done to date.

This success story is a clear example of what can happen when California leads with well-crafted performance standards. Let me tell you another California success story: the AB 32 blueprint known as the Scoping Plan.

Scoping Plan

According to a 2008 Deutsche Bank report titled "California Gleaming":

"The Scoping Plan posits a holistic approach to emissions reductions, combining direct-control measures designed to capture negative and zero cost abatement options on the demand side with the industrial-abatement options a market-based cap-and-trade scheme can deliver on the supply side. We think this integrated approach should enable California to deliver its targets in the most cost-efficient manner possible provided the cap-and-trade scheme is allowed to dovetail seamlessly with the direct-control measures."

The Air Board adopted that plan a year ago this month. And in that time the board approved a dozen of the 30 actions we proposed in the plan. The adopted measures include:

- The Low Carbon Fuel Standard that will reduce California's oil consumption by up to 20 percent.
- Port Electrification, which will cut greenhouse gases and soot from the exhaust stacks of ships that have been running on dirty bunker oil while docked at our most populated cities.
- And regulation of highly potent global warming gases from the semiconductor industry. These industrial man-made gases typically live much longer in the atmosphere and have much stronger global warming properties than carbon dioxide. So abating these gases can be very cost-effective.

These and other already approved Scoping Plan measures – together with recently improved state energy efficiency standards and the ongoing Renewable Portfolio Standard – are expected to reduce California's greenhouse gas emissions by about 70 million metric tons in 2020, compared with business as usual. This represents more than **40 percent** of the reductions need to return emissions back to 1990 levels, as required under AB 32.

Let me turn now to some of the proposed regulations that our Board will consider in the next 12 months.

Cap-and-Trade

Two weeks ago, we released a Preliminary Draft Regulation that confirms California's commitment to move ahead with the nation's first comprehensive greenhouse gas cap-and-trade program. We briefed the legislative committee consultants on this just last Wednesday.

The program would set a declining cap on emissions at a rate to ensure we meet our AB32 reduction targets. This program is being developed in partnership with seven western states and four Canadian provinces as part of the Western Climate Initiative or WCI. Collectively the WCI will more than double the amount of greenhouse gas emission reductions achieved, compared with what we would achieve on our own – all the while expanding the market for energy efficiency and clean energy technologies. We have planned numerous public workshops to develop a regulation, which we expect to bring to the Air Board next October.

We also have a Cal/EPA-appointed committee of outside experts to advise us of how the emission allowances should be distributed or sold, and what to do with any revenue collected. They will provide their recommendations in January of 2010.

Scoping Plan Economic Analysis

We're working with the same group of economists and financial experts along with stakeholders on an updated analysis due in February of the Scoping Plan's effects on the California economy – both costs and benefits – including impacts on small businesses.

Our original analysis of the AB32 program overall showed that, even when ignoring the benefits of mitigating the impacts of global warming, our program would have a negligible impact on the overall economy. That is, the benefits of energy efficiency would largely offset the marginal increased costs of clean energy. In a report published last week, the independent Center for Resource Solutions confirmed that our results are consistent with others that have been conducted.

I suspect many of you are hearing arguments that we should wait until the economy recovers before proceeding with climate regulations. I want to provide you a perspective based on everything we know about the cost of action and inaction.

We are at a critical juncture in our history of energy development in California and the US. With or without climate policy, our economy will eventually rebound. However, we face a serious choice about that growth. We can choose to continue to our dependency on increasingly scarce – and expensive – non-renewable resources. Or we can follow a new arc of economic growth, one that promotes clean energy and increased efficiency, diversification of transportation fuels and electrical energy sources – making our economy more resilient and our job market more robust. I hope we follow the latter path.

Upcoming Legislative Session

Let me now turn to some of the items you will be hearing more about in the upcoming legislative session, beginning with a couple items on the agenda for tomorrow's Air Board meeting.

- The Air Board staff will provide new estimates of the volume of zero and near-zero emitting vehicles needed in the California market to achieve our greenhouse gas reduction goals for 2050.
- The board also will be considering adoption of the first statewide greenhouse gas rule to reduce refrigerant emissions from commercial and industrial operations such as cold storage warehouses, food processing plants and supermarkets. This measure is the fifth largest source of emission reductions identified in the Scoping Plan and, on average, is expected to provide a cost savings to California businesses through reduced spending on refrigerants.
- On the energy front, you'll be hearing from us next session on our progress in developing a Renewable Electricity Standard under AB 32. I assure you our efforts will complement and not duplicate those at Public Utility Commission and the Energy Commission.

Adaptation

At ARB we focus primarily on mitigation with the goal of doing our part to reduce the most severe impacts of climate change. However, if we are to be successful we must also consider how we adapt to the unavoidable impacts of climate change that are already underway. Furthermore, the line between mitigation and adaptation continues to blur as we evaluate strategies for how to deal with water supply, forests and agriculture, infrastructure and power generation.

Last week, the Governor along with the California Natural Resources Agency released the 2009 California Climate Adaptation Strategy report which you will be hearing much more about in the next panel. Also, in response, the Climate Action Team is restructuring to further integrate the State's mitigation and adaptation activities.

Copenhagen

Finally, I would like to take a moment to discuss what we can expect in Copenhagen, where I'll be joining the Governor and Secretary Linda Adams next week.

Expectations that this year's summit will produce a comprehensive international agreement are slim. Progress is, however, anticipated in nationally appropriate mitigation policies and on financial and technical assistance to developing countries in return for progress on Monitoring, Reporting, and Verification within those countries.

If we are to have any hope of achieving our long-term climate goals, California absolutely must engage with the rest of the world in developing and deploying low-carbon and clean energy solutions to energy production, industry, transportation and land use.

California is also traveling to Copenhagen to advocate for "federalist" climate policy that respects the rights and opportunities of local communities and state representatives to develop the clean energy solutions that work best for the unique resources and industries of our diverse nation. Too often, politicians in Washington and Brussels think that they have all the answers. Californians don't want to just be told how to build a clean energy future – we want to be active participants in building that future.

California has also worked extensively with other "sub-national" leaders from around the world to advance local climate action, including with two very successful Governors Global Climate Summits, the Governors Climate and Forest Task Force with states in Brazil and Indonesia, and bilateral agreements with Chinese provinces.

At Copenhagen, California will be working with these and other partners to ensure that any international agreement recognizes and builds on the solid foundation that all of us have created through state and local action.

Thank you. I look forward to your questions.