



Climate Change Proposed Scoping Plan:

A Framework for Change

November 20, 2008
California Air Resources Board

California's Leadership

- Pioneer a balanced approach to protect the environment
- Promote and grow a vibrant economy
- Improve public health
- Provide a model for future national and international climate change efforts

Coordination with Other Efforts

Regional and Federal

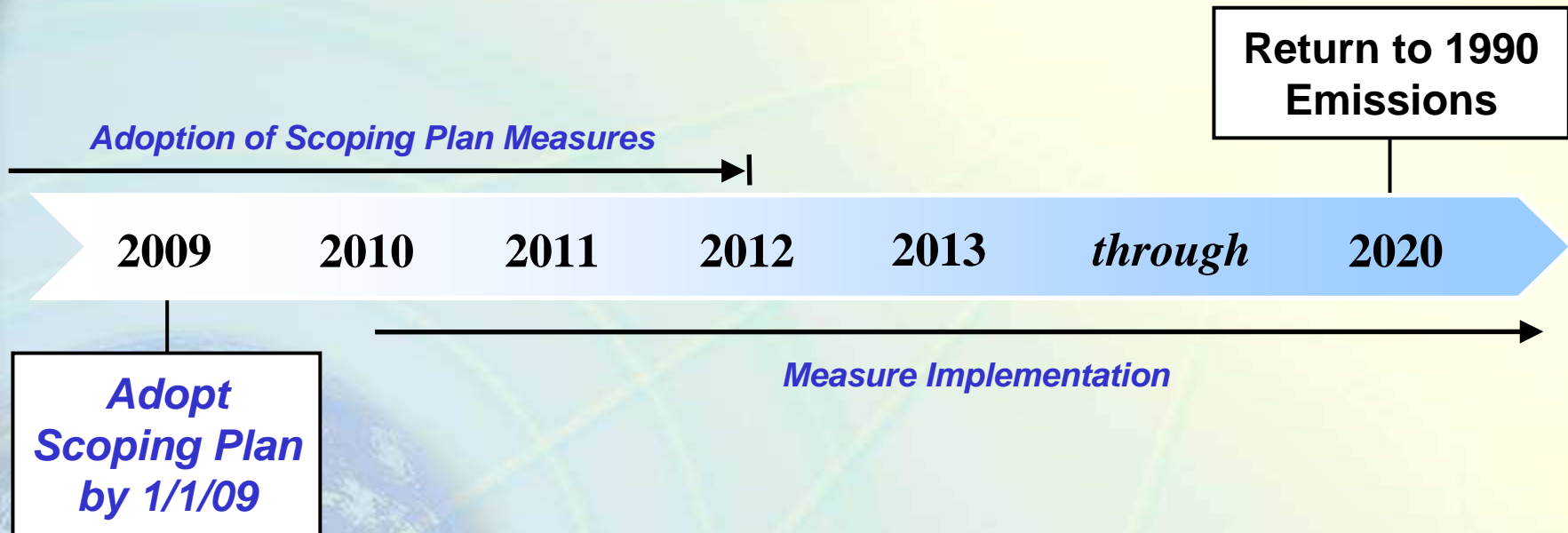
- Western Climate Initiative addressing greenhouse gas emissions through cap-and-trade program and complementary measures
- Federal activity
 - Federal Clean Air Act authority
 - Further legislation including cap-and-trade program expected under next administration

Coordination with Other Efforts

International

- International activity
 - Governor's Global Climate Summit established international declaration to collaborate on sectoral policies and strategies
 - Focus on the United Nations Convention on Climate Change
 - California delegation to participate in Poznan, Poland meeting in December 2008

The Next Chapter



Proposed Scoping Plan

- Comprehensive plan focused on greenhouse gas emission reductions
- Mix of strategies that combine market mechanisms, other regulations, voluntary measures, and fees
 - Incorporates early action measures

Scoping Plan Elements

- Broad-based cap-and-trade program
 - Electricity, industry, transportation, natural gas
- Complementary measures
 - Energy efficiency
 - Vehicle emission standards
 - High global warming potential measures
 - Renewables
 - Land-use planning

Common Goals, Many Viewpoints

- Broad support for goals of the Plan
- Diverse views about how to achieve those goals
 - Public workshops, community meetings, stakeholder meetings, conferences and events
 - Thousands of comments
 - Input from CAT, EJAC and ETAAC

Key Scoping Plan Requirements

- Include maximum technologically feasible and cost-effective emission reductions
- Evaluate costs and benefits to the economy, environment and public health
- Account for impacts on small businesses

Key Requirements for Regulations to Implement Plan

- Minimize costs and maximize total benefits
- Do not disproportionately impact low-income communities
- Complement existing programs to reduce smog and air toxics
- Minimize leakage and administrative burden
- Additional requirements for market-based compliance mechanisms
 - Consider direct, indirect and cumulative emissions including localized impacts

Major Comments

- Role of cap-and-trade program
- Measures
- Analyses

Role of Cap-and-Trade Program

- Balance of cap-and-trade program and complementary measures
- Reflects existing state programs and other policy objectives

Measures

Cap-and-Trade Program and Industry

- Cap-and-Trade Program:
 - 100 percent auction is a worthwhile goal; must evaluate timing of transition
 - Limit use of offsets to 49 percent of required emission reductions
- Industrial sources:
 - Variety of measures including cap-and-trade program, audit, and direct regulations

Measures

Land Use, Recycling and Forestry

- Land use:
 - Target is mid-range of studies
 - Market measures would provide additional reductions
- Commercial recycling:
 - Range of approaches, including potential regulations
- Forestry:
 - At a minimum, maintain carbon sequestration with sound accounting
 - Voluntary reductions with Forestry Protocol

Analyses

- Economic Analysis
- Public Health Analysis

Results – Additional Analysis

Economic Evaluation

- ARB analysis – net positive impact
- Additional work to refine results
- Public and peer review comments
- Updating analysis
- No significant change in results

Results – Additional Analysis

Near Term Economic Impacts

- Near-term costs
 - Measures phased-in
 - Most costs will be financed, spread over time
- Small business impacts
 - Energy prices
 - Energy rates will be higher, but
 - Energy use will be less, and bills lower for many
 - Generally small upfront investments

Results – Additional Analysis

Uncertainties in Economic Inputs to Plan

- Energy price forecast uncertainty
 - With 50% increase, Plan impacts still positive
 - With 50% decrease, Plan impacts are neutral
- Cost and/or savings uncertainty
 - Plan net impacts remain neutral; even if measure costs are increased by 25% and savings are decreased by 25%

Results – Additional Analysis

Role of Pavley Rules & Efficiency Measures

- Counting benefits of Pavley and efficiency measures toward the Plan
 - With Pavley savings and half of efficiency measures entirely discounted, Plan impacts still positive

Public Health Benefits

- Estimates of public health benefits updated
 - 770 avoided premature deaths statewide in 2020
 - Value of benefits estimated at \$4.3 billion yearly
- Avoided premature deaths in 2020:

Existing Air Quality Program and 2007 SIP	Scoping Plan
12,000	770

Future Work Related to Public Health

- Currently using available information to analyze regulations
- Continuing to improve tools to:
 - Identify communities most impacted by air pollution (HSC §38570(b)(1))
 - Assess potential local and cumulative impacts of regulations, including cap-and-trade program

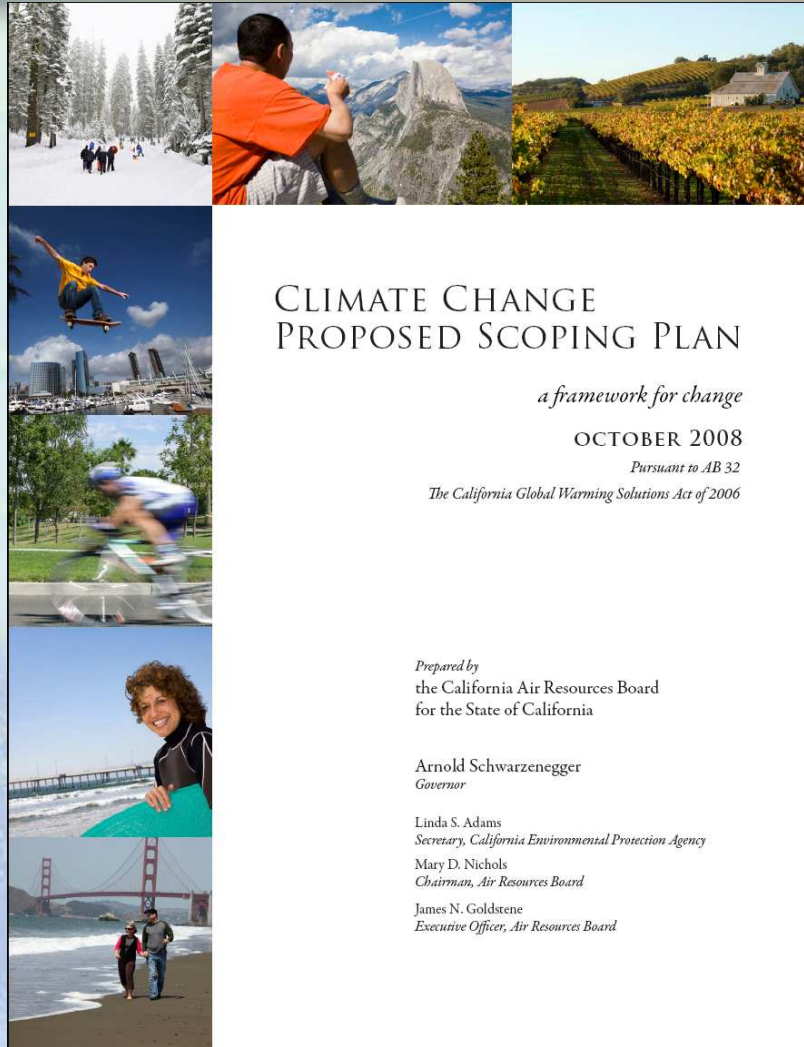
Staff Recommendation

- Staff recommends approval
- Scoping Plan is balanced approach to reduce California's GHG emissions
- Meets all AB 32 requirements
 - Maximum technologically feasible and cost-effective emission reductions
 - Economic evaluation
 - Public health and environmental evaluation

Summary

- Moving ahead is imperative – the consequences of inaction are severe
- Implementing the Plan will be beneficial for both our economy and environment
- Our efforts will inspire others to move ahead and help the nation and the world take timely and effective action

A Framework for Change



CLIMATE CHANGE PROPOSED SCOPING PLAN

a framework for change

OCTOBER 2008

Pursuant to AB 32

The California Global Warming Solutions Act of 2006

Prepared by
the California Air Resources Board
for the State of California

Arnold Schwarzenegger
Governor

Linda S. Adams
Secretary, California Environmental Protection Agency

Mary D. Nichols
Chairman, Air Resources Board

James N. Goldstene
Executive Officer, Air Resources Board



