State of California
AIR RESOURCES BOARD

Greenhouse Gas Reduction Fund – Draft Investment Plan for Cap and Trade Auction Proceeds

Resolution 13-15

April 25, 2013

Agenda Item No.: 13-5-4

WHEREAS, the California Global Warming Solutions Act of 2006 (Assembly Bill 32; Chapter 488, Statutes of 2006; Health and Safety Code section 38500 et seq.) declares that global warming poses a serious threat to the economic well-being, public health, natural resources, and environment of California and creates a comprehensive multi-year program to reduce California's greenhouse gas emissions to 1990 levels by 2020;

WHEREAS, the Communities and Climate Protection Act of 2008 (Senate Bill 375, Chapter 728, Statutes of 2008) requires that:

- Metropolitan planning organizations adopt a sustainable communities strategy as part of their regional transportation plans, as specified, designed to achieve certain goals for the reduction of greenhouse gas emissions from automobiles and light trucks in a region; and
- The Air Resources Board, working in consultation with the metropolitan planning organizations, provide each affected region with greenhouse gas emission reduction targets for the automobile and light truck sector for 2020 and 2035;

WHEREAS, the California Renewable Energy Resources Act (Senate Bill X1 2, Chapter 1, Statutes of 2011) establishes a target of increasing the amount of electricity generated from eligible renewable energy resources per year, so that it equals at least 33 percent of total retail sales of electricity in California per year by December 31, 2020;

WHEREAS, Executive Order S-3-05 establishes a greenhouse gas emission reduction target for California of 80 percent below 1990 levels;

WHEREAS, Executive Order B-16-12 directs that:

- California target for 2050 a reduction of greenhouse gas emissions from the transportation sector equaling 80 percent less than 1990 levels;
- State entities support and facilitate the rapid commercialization of zero-emission vehicles; and
- The State establish a target for 2025 of over 1.5 million zero-emission vehicles on California roads;

WHEREAS, Executive Order B-18-12 directs that:

- State agencies, departments, and other entities under the Governor's direct executive authority take actions to reduce entity-wide greenhouse gas emissions by at least 10 percent by 2015 and 20 percent by 2020, as measured against a 2010 baseline;
- All new State buildings and major renovations beginning design after 2025 be constructed as Zero Net Energy facilities with an interim target for 50 percent of new facilities beginning design after 2020 to be Zero Net Energy;
- State agencies shall take measures toward achieving Zero Net Energy for 50 percent of the square footage of existing state-owned building area by 2025; and
- State agencies continue taking measures to reduce grid-based energy purchases for State-owned buildings by at least 20 percent by 2018, as compared to a 2003 baseline, and reduce other non-building, grid-based retail energy purchases by 20 percent by 2018, as compared to a 2003 baseline;

WHEREAS, section 38501(c) of the Health and Safety Code declares that California has long been a national and international leader on energy conservation and environmental stewardship efforts, and the program established pursuant to Assembly Bill 32 continues this tradition of environmental leadership by placing California at the forefront of national and international efforts to reduce greenhouse gas emissions;

WHEREAS, section 38501(d) of the Health and Safety Code confirms that national and international actions are necessary to fully address the issue of global warming, but action taken by California to reduce greenhouse gas emissions will have far-reaching effects by encouraging other states, the federal government, and other countries to act;

WHEREAS, section 38562 of the Health and Safety Code requires the Air Resources Board, to the extent feasible and in furtherance of achieving the statewide GHG emissions limit, to do all of the following:

> Design regulations, including distribution of emissions allowances where appropriate, in a manner that is equitable, seeks to minimize costs and maximize total benefits to California, and encourages early action to reduce GHG emissions;
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> Ensure that activities undertaken to comply with the regulations do not disproportionately impact low-income communities;
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> Ensure that entities that have voluntarily reduced their GHG emissions prior to the implementation of this section receive appropriate credit for early voluntary reductions;

Ensure that activities undertaken pursuant to the regulations complement, and do not interfere with, efforts to achieve and maintain federal and State ambient air quality standards and to reduce toxic air contaminant emissions;

Consider cost-effectiveness of these regulations;

Consider overall societal benefits, including reductions in other air pollutants, diversification of energy sources, and other benefits to the economy, environment, and public health;

Minimize the administrative burden of implementing and complying with these regulations;

Minimize leakage; and

Consider the significance of the contribution of each source or category of sources to statewide emissions of greenhouse gases.

WHEREAS, sections 38562(c) and 38570 of the Health and Safety Code authorize ARB to adopt regulations that utilize market-based compliance mechanisms;

WHEREAS, pursuant to the regulatory purposes of Division 25.5 (commencing with Section 38500) of the Health and Safety Code, the Air Resources Board, in Resolution 11-32, adopted regulations, specified in Sections 95800 to 96022, inclusive, of Title 17 of the California Code of Regulations, that utilize a market-based compliance mechanism;

WHEREAS, Government Code section 16428.8 created the Greenhouse Gas Reduction Fund as a special fund in the State Treasury to receive all moneys, except for fines and penalties, collected by the Air Resources Board from the auction or sale of allowances, pursuant to a market-based compliance mechanism established pursuant to Division 25.5 (commencing with Section 38500) of the Health and Safety Code and specified in Sections 95800 to 96022, inclusive, of Title 17 of the California Code of Regulations;

WHEREAS, Government Code section 16428.8 requires that all moneys deposited in the Greenhouse Gas Reduction Fund shall be available for appropriation by the Legislature and shall be separately identified in the annual Budget Act;

WHEREAS, Health and Safety Code section 39712 requires that the moneys appropriated from the Greenhouse Gas Reduction Fund shall only be used to further the regulatory purposes of Division 25.5 (commencing with section 38500) of the Health and Safety Code, consistent with law, and to facilitate the achievement of reductions of greenhouse gas emissions in California and, where applicable and to the extent feasible:

- Maximize economic, environmental, and public health benefits to the State;
- Foster job creation by promoting in-state greenhouse gas emissions reduction projects carried out by California workers and businesses;
- Complement efforts to improve air quality;
- Direct investment toward the most disadvantaged communities and households in California;
- Provide opportunities for businesses, public agencies, nonprofits, and other community institutions to participate in and benefit from statewide efforts to reduce greenhouse gas emissions; and
- Lessen the impacts and effects of climate change on the state's communities, economy, and environment.

WHEREAS, Health and Safety Code section 39712 identifies potential investment areas for moneys appropriated from the Greenhouse Gas Reduction Fund including, but not limited to:

- Funding to reduce greenhouse gas emissions through energy efficiency, clean and renewable energy generation, distributed renewable energy generation, transmission and storage, and other related actions, including, but not limited to, at public universities, state and local public buildings, and industrial and manufacturing facilities;
- Funding to reduce greenhouse gas emissions through the development of state-of-the-art systems to move goods and freight, advanced technology vehicles and vehicle infrastructure, advanced biofuels, and low-carbon and efficient public transportation;
- Funding to reduce greenhouse gas emissions associated with water use and supply, land and natural resource conservation and management, forestry, and sustainable agriculture;
- Funding to reduce greenhouse gas emissions through strategic planning and development of sustainable infrastructure projects, including, but not limited to, transportation and housing;
- Funding to reduce greenhouse gas emissions through increased in-state diversion of municipal solid waste from disposal through waste reduction, diversion, and reuse;
- Funding to reduce greenhouse gas emissions through investments in programs implemented by local and regional agencies, local and regional collaboratives, and nonprofit organizations coordinating with local governments; and
- Funding in research, development, and deployment of innovative technologies, measures, and practices.

WHEREAS the Governor's Proposed Budget for Fiscal Year 2013-14, released on January 10, 2013, describes priorities for the investment of moneys from the Greenhouse Gas Reduction Fund;

WHEREAS, Health and Safety Code section 39716 requires the Department of Finance, on behalf of the Governor, and in consultation with the Air Resources Board

and any other relevant State entity, to develop and submit to the Legislature by May 14, 2013, a three-year investment plan, consistent with the requirements of Health and Safety Code section 39712, that:

- Identifies near-term and long-term greenhouse gas emission reduction goals and targets by sector;
- Analyzes gaps in current State strategies for meeting greenhouse gas reduction goals by sector; and
- Identifies priority investments that facilitate greenhouse gas reductions.

WHEREAS, Health and Safety Code section 39716 requires the Air Resources Board to consult with the Public Utilities Commission to ensure the investment plan is coordinated with, and does not conflict with or unduly overlap with, activities under the oversight or administration of the Public Utilities Commission undertaken pursuant to Part 5 (commencing with Section 38570) of Division 25.5 of the Health and Safety Code or other activities under the oversight or administration of the Public Utilities Commission that facilitate greenhouse gas emissions reductions and that the investment plan include a description of the use of any moneys generated by the sale of allowances received at no cost by the investor-owned utilities pursuant to a market-based compliance mechanism;

WHEREAS, Health and Safety Code section 39711 requires that the California Environmental Protection Agency identify disadvantaged communities for investment opportunities related to the use of moneys from the Greenhouse Gas Reduction Fund;

WHEREAS, Health and Safety Code section 39713 requires that the investment plan allocate a minimum of 25 percent of the available moneys in the Greenhouse Gas Reduction Fund to projects that provide benefits to the disadvantaged communities identified pursuant to Health and Safety Code section 39711, and that the investment plan allocate a minimum of 10 percent of the available moneys in the Greenhouse Gas Reduction Fund to projects located within disadvantaged communities identified pursuant to Health and Safety Code section 39711;

WHEREAS, Health and Safety Code section 39716 requires the Air Resources Board to hold at least two public workshops and one public hearing prior to the Department of Finance submitting the Investment Plan to the Legislature;

WHEREAS, Health and Safety Code section 39716 requires the Climate Action Team, established under Executive Order S-3-05, to:

- Provide information to the Department of Finance and the Air Resources Board to assist in the development of the investment plan;
- Participate in each public workshop; and
- Provide testimony to the Air Resources Board on each investment plan; and

WHEREAS, in consideration of the draft *Cap-and-Trade Auction Proceeds Investment Plan: Fiscal Years 2013-14 through 2015-16* (*Investment Plan*), staff presentation, and public testimony and comments, the Board finds that:

1. The draft *Investment Plan* identifies near-term and long-term greenhouse gas emission reduction goals and targets, analyzes gaps in current State strategies for meeting greenhouse gas reduction goals, and identifies priority investments that facilitate greenhouse gas reductions in accordance with the requirements of Health and Safety Code section 39716.

2. The recommendations for priority investments in the draft *Investment Plan* are consistent with the requirements of Health and Safety Code section 39712 on use of moneys from the Greenhouse Gas Reduction Fund and the Governor's Proposed Budget for Fiscal Year 2013-14.

3. The recommendations for priority investments in the draft *Investment Plan* would further the goals and purposes of the California Global Warming Solutions Act of 2006, Executive Order S-3-05, the Communities and Climate Protection Act of 2008, Executive Order B-16-12, the California Renewable Energy Resources Act, and Executive Order B-18-12.

4. The recommendations for priority investments in the draft *Investment Plan* include projects to reduce black carbon which would provide near-term benefits for both climate and public health.

5. The draft *Investment Plan* includes maps showing the disadvantaged communities for investment opportunities related to the use of moneys from the Greenhouse Gas Reduction Fund identified by the California Environmental Protection Agency pursuant to Health and Safety Code section 39711.

6. The recommendations for priority investments in the draft *Investment Plan* would target moneys from the Greenhouse Gas Reduction Fund to disadvantaged communities consistent with the requirements of Health and Safety Code section 39713.

7. The draft *Investment Plan* includes a description of the use of moneys generated by the sale of allowances received at no cost by the investor-owned utilities pursuant to a market-based compliance mechanism in accordance with the requirements of Health and Safety Code section 39716.

8. The Air Resources Board staff consulted with the Public Utilities Commission on the development of the draft *Investment Plan* in accordance with the requirements of Health and Safety Code section 39716.

9. The Air Resources Board staff held three public workshops, held in Fresno, California on February 19, 2013, in Sacramento, California on

February 25, 2013, and in Los Angeles, California on February 27, 2013, on the development of the draft *Investment Plan* in accordance with the requirements of Health and Safety Code section 39716. Approximately 200 people spoke at the workshops, and over 300 individuals or organizations submitted written comments. These workshops resulted in consideration of stakeholder comments in the development of the draft *Investment Plan*.

10. Members of the Climate Action Team, or their designees, provided information to the Department of Finance and the Air Resources Board to assist in the development of the draft *Investment Plan*, participated in each public workshop, and provided testimony to ARB on the draft *Investment Plan* in accordance with the requirements of Health and Safety Code section 39716.

11. The Air Resources Board held a public hearing on the draft *Investment Plan* in accordance with the requirements of Health and Safety Code section 39716.

NOW, THEREFORE, BE IT RESOLVED that the Board affirms that the draft *Investment Plan* was developed in accordance with the requirements set forth in Health and Safety Code sections 39711, 39712, 39713, and 39716.

BE IT FURTHER RESOLVED that the Board recognizes that the draft *Investment Plan* reflects a balanced approach to address the major sources of greenhouse gas emissions in California while supporting investments in disadvantaged communities, job opportunities, and the continued growth of California's economy.

BE IT FURTHER RESOLVED that the Board supports funding for the identified priority programs to further the regulatory purposes of Assembly Bill 32 including reducing the emissions of greenhouse gases and black carbon that contribute to climate change as well as cutting air pollution that harms public health and other important co-benefits.

BE IT FURTHER RESOLVED that the Board concurs that targeted expenditures are critical to help California realize the transformational changes in transportation, energy generation and efficiency, and community development that are vital to meet our longer-range goals as well.

BE IT FURTHER RESOLVED that the Board extends its appreciation to the Climate Action Team, other State agencies and the many stakeholders who participated in developing the draft *Investment Plan*.

I hereby certify that the above is a true and correct copy of Resolution 13-15, as adopted by the Air Resources Board.

Tracy Jensen

Tracy Jensen, Clerk of the Board