

The background features a stylized image of the Earth, showing continents and oceans, with a soft blue and green color palette. A horizontal blue bar is positioned at the top of the slide, partially overlapping the Earth image. The text is centered and rendered in a bold, dark blue font.

**Proposed AB 32 Cost of  
Implementation Fee Regulation  
and  
Proposed Amendment to the  
Mandatory Reporting of Greenhouse  
Gas Emissions Regulation**

California Air Resources Board  
September 25, 2009  
Diamond Bar

# Why Is This Fee Needed?

- Climate change is a major new program
- Continuous funding source needed to implement AB 32
- No dedicated funding source exists for AB 32
- Program start-up funded through loans, redirected positions/resources, and unsustainable revenue shifts

# Regulation Development

- Three workshops held during initial regulation development
- Board considered Fee regulation in June, 2009
  - Item continued
- Extended public comment period
- Staff continued to work with stakeholders
  - Held additional workshop in August

# **AB32 Cost of Implementation Fee Regulation**

## **Staff Proposal**

# Overview

- Establish regulatory fee to fund cost of implementing AB 32
  - Assess annual fee on greenhouse gas emissions
  - Use revenue for State implementation costs
- Amend the Mandatory Reporting Regulation
  - Require use of electronic reporting tool

# Fee Approach

- Fee assessed on greenhouse gas emissions
- 85% coverage of California's greenhouse gas emissions
- Upstream point of regulation
- Limited number of fee payers
- Administratively feasible

# Affected Entities Staff Proposal

- Approximately 350 fee payers:
  - Large natural gas distributors and large users of natural gas
  - Producers/importers of gasoline/diesel fuel
  - Facilities that combust coal and petroleum coke
  - Refineries
  - Cement manufacturers
  - Electricity importers and instate generating facilities

# **Proposed AB 32 Cost of Implementation Fee Regulation**

## **Proposed Modifications**

# Proposed Changes Since June

- Shift electricity to “first deliverer”
- Change from spring to fall billing
- Begin fee collection in fiscal year 2010/2011

# Electricity

## Shift to a “First Deliverer” approach

- Equal treatment of all electricity deliverers
  - Covers electricity when it is delivered to the California grid
- Based on mega-watt hours of electricity delivered
- Fees remain on fuels for cogeneration
- Accounts for natural gas used in electricity generation
- Small facilities exempt from Mandatory Reporting would not pay the fee

# Annual Billing Cycle

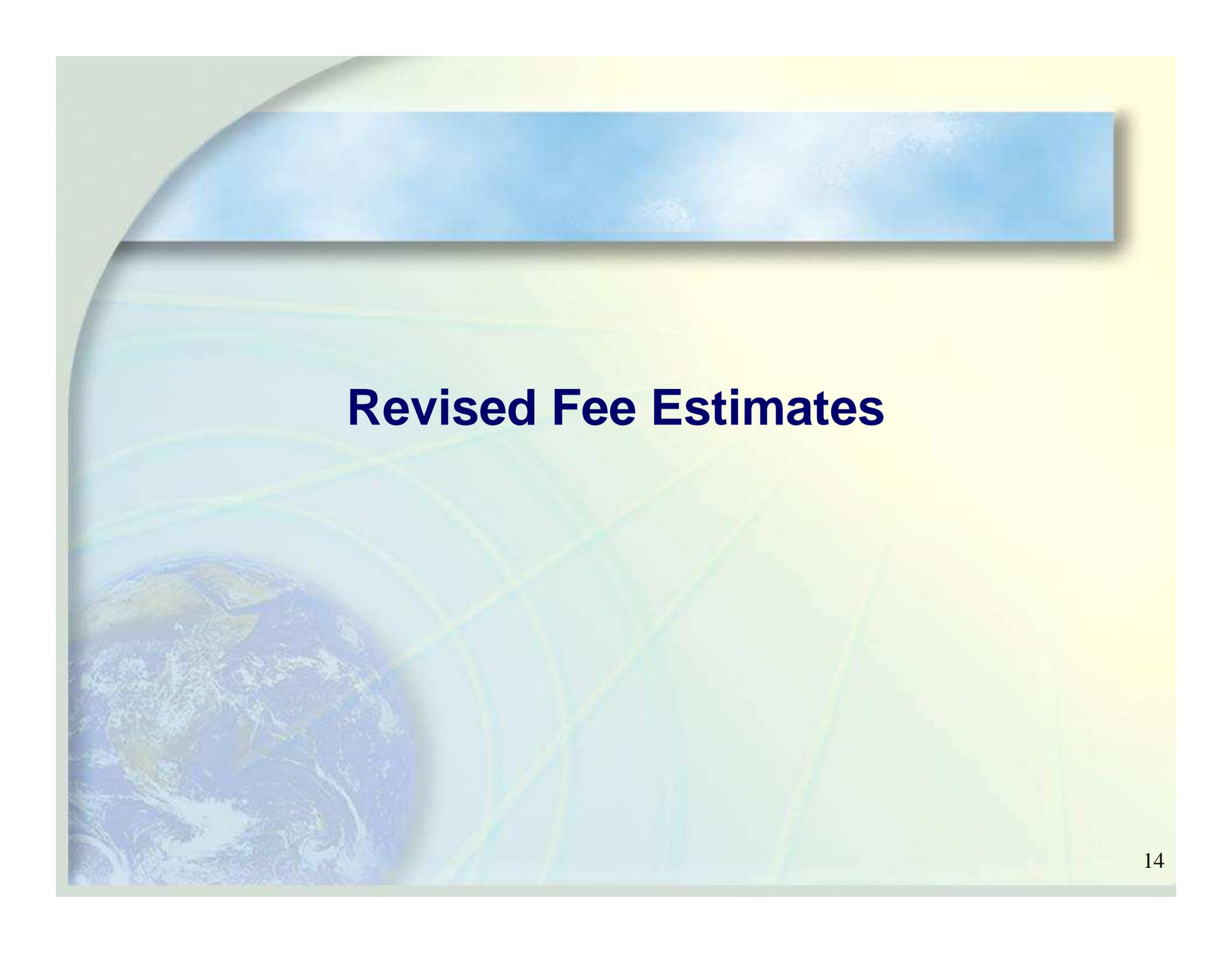
- Change annual collection period from spring to fall
- Provides better alignment with State fiscal year
- Fees would be determined after the Budget sets Revenue Requirement

# Initial Collection

- ARB to collect initial Fee in fiscal year 2010/2011
- 2009/2010 fiscal year funding to come from \$35M BCRF loan
- Loans from fiscal years 2007/2008 and 2008/2009 will continue to accrue interest
- Additional principal and interest will increase the Required Revenue amount the first years of the program

# Other Requested Changes

- Point of regulation for transportation
- Fee determination methodology
- Net electricity imports



# Revised Fee Estimates

# Start-up Costs

## **2007/2008 Fiscal Year**

\$ 8.5M Air Pollution Control Fund (no repayment required)

\$15.2M Loan from Motor Vehicle Account (ARB)

\$ 0.3M Loan from Motor Vehicle Account (Cal/EPA)

## **2008/2009 Fiscal Year**

\$ 32.0M Loan from Beverage Container Recycling Fund  
(ARB and Cal/EPA)

## **2009/2010 Fiscal Year**

\$ 35.0M Loan from Beverage Container Recycling Fund  
(ARB and Cal/EPA)

# Revised Total Revenue Required

**Total Revenue Required (TRR) =**

Annual Program Costs + Debt + Annual Adjustment

**Preliminary TRR for 2010/2011 = \$63.1 Million**

- Program cost = \$36.2 Million\*
- Debt repayment = \$26.9 Million

Actual program costs for FY 2010/2011 depend on approved State Budget

\*Current estimates are based on FY 2009/2010 Budget

# Revised Sector-Specific Fee Estimates

Emissions Source	Emissions (Million MTCO <sub>2</sub> E)	Estimated Fee (Million)	Share of Costs by Emissions Source (%)
Petroleum Coke	5.1	\$0.8	1.3
Catalyst Coke	6.1	\$1.0	1.6
Refinery Gas	17.1	\$2.7	4.3
Gasoline	136.6	\$21.6	34.2
Diesel	41.7	\$6.6	10.5
Natural Gas (Excluding Electrical Generation)	92.6	\$14.6	23.1
Associated Gas	3.2	\$0.5	0.8
Cement Process	5.8	\$0.9	1.4
Coal	7.5	\$1.2	1.9
Electricity (in-state and imported)	83.8	\$13.2	20.9
<b>Total</b>	<b>399.5</b>	<b>\$63.1</b>	<b>100.0</b>

Note: Fee Based on TRR of \$63.1 M

Emissions data from 2006 ARB Emissions Inventory, using , all other entries based on ARB calculations.

# Costs per Unit Product

## Preliminary (FY 10-11)

Product	Program Cost (\$)	Units
Natural Gas	0.00084	Therm
Gasoline/ Diesel	0.0014/0.0016	Gallon
Cement Manufacturers (Not including fuel cost)	0.082	Ton
Electricity	0.085	MWh
Coal	0.33	Short ton
Common Carbon Cost	0.155	MTCO <sub>2</sub> E

# Economic Impacts

## Businesses:

- Family restaurant \$17/year
- 100 person office \$9/year
- Full-service grocery store \$120/year

## Households:

- Natural gas and electricity \$0.77/year
- Vehicle use \$0.80/year
  - Per vehicle at 15,000mile/year and 30 mpg

# Updated Timeline

<b>September 2009</b>	<b>Board Hearing to consider revised regulation</b>
<b>Fall 2009</b>	<b>Notice 15-Day changes to regulation</b>
<b>Winter 2009</b>	<b>Final regulatory package submitted to Office of Administrative Law</b>
<b>Spring 2010</b>	<b>Regulation becomes effective</b>
<b>Fall 2010</b>	<b>ARB sends invoices</b>

# Recommendation

- Approve staff proposal with recommended regulatory changes