

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

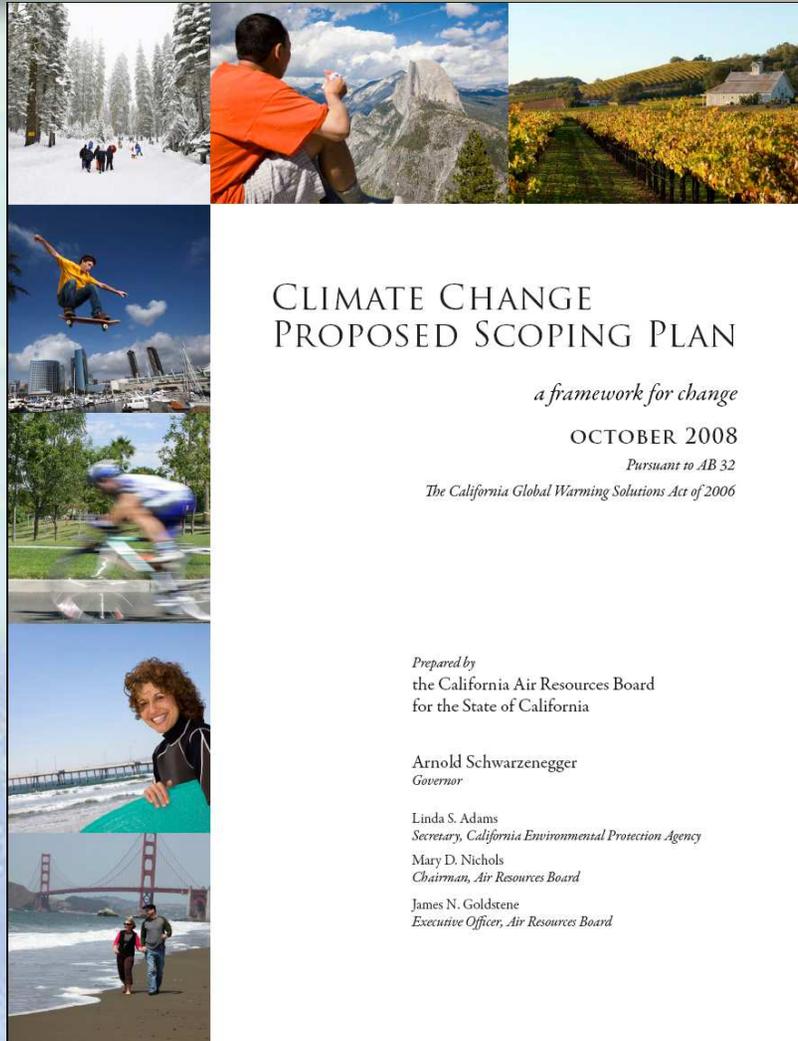
Staff Recommendation

- 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

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