



SIERRA CLUB
CALIFORNIA

TESTIMONY OF BILL MAGAVERN,
DIRECTOR OF SIERRA CLUB CALIFORNIA,
TO JOINT HEARING OF ASSEMBLY COMMITTEE
ON NATURAL RESOURCES AND SENATE
SUBCOMMITTEE ON ALTERNATIVE ENERGY

on

Implementation of AB 32 - California Global
Warming Solutions Act of 2006

March 3, 2008

Introduction

Thank you for the opportunity to present our views. Since the enactment of California's Global Warming Solutions Act (AB 32), which we strongly supported, I and other Sierra Club leaders have had the opportunity to address the California Air Resources Board at its public meetings and to work with the chair and the staff at numerous workshops and smaller meetings. Based on this experience, I believe that ARB is vindicating the decision that the Legislature made to give it the huge responsibility of leading California's efforts to curb global warming.

As the whole country, and many other nations, look to our state for leadership on this vital issue, ARB is off to a good start in its implementation of AB 32. While the implementation process did experience some rough spots last year, Chair Nichols and her team have successfully put the process back on track. They moved quickly to triple the number of early action measures scheduled for adoption by the end of next year, and they met statutory deadlines for adoption of mandatory emissions reporting and assessment of the emissions inventory.

Role of the Legislature

Sierra Club California urges the Legislature to continue to fulfill its oversight role, through hearings like this one, and through the budget process. We support full funding of the ARB's budget request for 2009-'09, and we agree with the Legislature's position, expressed last year during the budget process, that the AB 32 program needs appropriate, stable, and ongoing funding. We believe this funding should come from fees on the large emitters of greenhouse gas pollution.

Regarding new legislation, we do not believe that the fundamental architecture of AB 32 needs any major overhaul at this time, but we do believe the Legislature should help reduce greenhouse gas emissions by passing a necessary package of measures on transportation planning, renewable electricity, vehicle emissions, cleaner fuels, greener buildings, water conservation, and solid waste reduction, recycling and composting. I can provide far more detail on the specific measures, but will not do that here, since this is an oversight rather than a legislative hearing.

Role of Other Agencies and the Climate Action Team

While ARB clearly has the lead role in California's greenhouse-gas reduction efforts, many other agencies need to play major roles in reducing emissions from transportation, water projects, electricity, solid waste, forestry, agriculture, government facilities and other sources. California's government should have a united and coordinated approach to curbing global warming. For example, when the California Transportation Commission allocates funds for transportation projects, and when Department of Water Resources plans water projects, they should assure that those projects reduce, rather than increasing, global warming pollution.

The Climate Action Team, under the able leadership of Secretary Adams, has been the forum where the various agencies come together, but the CAT process has not consistently had the same accountability and transparency that ARB has followed. We ask the Legislature and the Governor to collaborate on mechanisms for assuring that the non-ARB executive branch entities successfully generate the emission reductions necessary, and to make those efforts open to public involvement and observation.

Recommendations for ARB's Scoping Plan

ARB's major task for 2008 is the adoption of the "scoping plan," AB 32's required master plan for reaching the emissions limit. We present below what we believe are the key considerations that should guide that plan.

- Emission Levels

Implementation of AB 32 should seek not only to meet the law's requirement of rolling back our greenhouse gas emissions to 1990 levels by 2020, but also to set a pace of GHG reductions adequate to meet the scientifically established goal of an 80% reduction by 2050, the goal established by Governor Schwarzenegger's executive order. Our task is to reduce GHG emissions 2% a year for the next 40 years in order to ensure a safe and healthy planet for future generations.

Also, the scoping plan should seek to achieve the 2020 requirement with a margin of safety, in case some of the expected reductions do not materialize.

- Direct Emission Reductions

The majority of the required emissions in GHGs should come from performance standards that directly reduce emissions, like California's clean-car, renewable-energy, and energy-efficiency programs, and incentive programs like the Solar Initiative. The scoping plan should detail exactly what regulatory and incentive programs will be adopted, and how much each program will reduce GHGs.

- Air Quality/Environmental Justice

The scoping plan should describe how ARB will "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," as required by AB 32. Whenever possible, GHG reduction measures should provide the additional benefit of improving air quality, especially in communities that suffer from the most severe smog, particulates and toxic air emissions.

In addition, the scoping plan should explain how ARB will account for the global warming reduction benefits realized by reducing non-Kyoto pollutants like black carbon and ozone, pollutants which worsen both air quality and global warming.

The plan should also detail how ARB will comply with the environmental justice provision of AB 32. Specifically, environmental justice requires that low-income communities and communities of color not have to sacrifice their right to breathe clean air.

- Cap-and-Auction and Offsets

The scoping plan should adhere to the AB 32 requirements that the Board study the potential impacts on community air quality of any market-based compliance mechanisms, before adopting any such mechanism. Should California adopt a mechanism that issues allowances to emit, it is vital that it require that all old and new sources of CO₂ pay for the privilege of using limited carbon sinks. Give-away carbon permit schemes, in which current emitters are permitted to turn their pollution into economically valuable rights, would violate this principle.

If CARB establishes a market for carbon emissions, after following the review process required by AB 32, allowances or permits should be auctioned. Such a mechanism for pricing the carbon in our atmosphere is essential if we are to raise the investment funds to construct the new clean energy economy in California, provide investment capital to guarantee that new technologies are available to our existing plant infrastructure, and make certain that the effects of re-pricing carbon fuels are not felt disproportionately by working families and small businesses. We believe that AB 32 has given ARB the authority to establish an auction system.

Simply issuing emission permits to existing industry on the basis of their historic performance will create a trading system with inherent flaws. Some industries may use such a system to guide them in making rational investments that achieve a beneficial social outcome. For others, however, it will simply provide a perverse incentive to shut down existing California plant capacity and either relocate in other states or distant parts of the world. An auction system, capable of providing meaningful incentives for reinvestment in domestic energy-efficient industries, should be our immediate goal.

Furthermore, Sierra Club will oppose any system which would relieve any domestic emitter of carbon from paying for their fair share of the costs of the carbon they emit in exchange for "offsets," either internationally for CO₂ emissions or domestically for activities designed to enhance carbon sinks, like tree planting. While government and private support of improved soil carbon content and reforestation are highly desirable, it is impossible to retain the integrity and effectiveness of a program to reduce domestic CO₂ emissions if it is combined with a trading mechanism for efforts to preserve and enhance carbon sinks. We need both 80% reductions in domestic CO₂ emissions and strong programs to enhance carbon sinks; we should not "trade" them off against each other.

Market mechanisms must be designed so that they contribute to verifiable CO₂ reductions and work in harmony with other components of the climate change strategy, especially standards and incentives for promoting efficiency, conservation and renewable energy. Funds raised through the auction of carbon allowances should be used for public purposes such as energy

efficiency, promotion of renewable energy, mitigation of electricity ratepayer impacts, needed infrastructure in impacted communities and job training opportunities in renewable energy generation for individuals working in the fossil-fuel energy generation industry.

Forests can play an important role in global warming, since approximately half the weight of a tree is carbon. Growing larger, older trees is helpful because they capture and store more carbon. Conversely, converting forests to other uses, through sprawl and development, eliminates carbon storage opportunities now and into the future, and should be discouraged. Although forests will have a role in addressing global warming because they store carbon, we always need to remember that forests have many values besides carbon, and need to be managed to be healthy, natural systems.

Though there is much talk about "trading carbon allowances", the Sierra Club opposes trading between sources of carbon pollution and sinks, like forests, which store carbon. The ability of forests to store carbon should not become a justification for maintaining higher emissions of air pollution.

Revenue raised by the auction should be used to promote a clean energy future by investing in the highest-value solutions first. Allowances and auction revenues should be used to accelerate deployment of the clean energy technologies we have today and to develop the ones we need for tomorrow. Funds should be invested only in the cleanest, cheapest, safest, and fastest means of reducing emissions.

- Protecting California Jobs and Minimizing Leakage

CARB needs to apply the principle that the state of California developed for measuring the carbon output of its electrical power producers to all other emission-intensive industrial production in the state. In the case of electrical power generation, AB32 measures the carbon emission of electrical generation consumed in CA at its actual point of production. Consequently, for example, electrical power produced in a dirty coal fired plant in NV does not get a free pass when imported into the CA market. Such a power producer would have to purchase carbon emission allowances at the going rate before it could transfer its power into CA. Thus, CA producers of clean energy cannot be undercut by the production of dirty power produced outside the state and imported into it.

Every product manufactured in the world today has its own carbon footprint—the carbon emissions associated with the production of that product. CARB should require that producers of emission-intensive products imported for consumption in California purchase the same emissions allowances that California producers must when they sell their products in the same market. Similarly, emissions associated with products produced in California but exported should be allocated to the exporting state or nation rather than California. Any other principle would sorely disadvantage California industries and act as a powerful lever for driving additional jobs offshore.

- Linkage to other States

Curbing global warming requires an international effort, and what California does will have impacts well beyond our borders. Whenever possible, California should adopt measures that can be replicated by other states, by our national government, and by other countries. In addition, California should work with other states to prevent leakage and to enhance the effectiveness of our efforts.

What we should not do is to allow emissions trading with any jurisdiction that lacks a hard emissions cap of AB 32-like stringency, as such trading would remove the assurance that our emissions reductions were real.

- Enforcement

The scoping plan should lay out a clear and fair regime for enforcing emission reduction measures. ARB will need to significantly bulk up its enforcement resources to meet this challenge.

In addition, the scoping plan should explain the route for enforcing emission reduction measures taken by other agencies outside of ARB. How will those agencies be held accountable for assuring the realization of emission reduction measures assigned to them? If those other agencies fall short, what action will ARB take, as the lead governmental entity charged with enforcing AB 32?

- Transparency

Successful implementation of California's historic global warming law will require a program that is open and transparent to the public, with performance and compliance information accessible via the Internet.

- Public Participation and Local Government Involvement

Many Californians are looking for ways that they can personally aid in the effort to curb global warming pollution, and many of our local governments are already taking action. Since this is such a complex and multi-dimensional issue, state government should go out of its way to give individuals and local governments pathways to participation.

Thank you for considering our views.