

CALIFORNIA AIR RESOURCES BOARD

NOTICE OF PUBLIC HEARING TO CONSIDER DRAFT AB 32 CAP-AND-TRADE AUCTION PROCEEDS INVESTMENT PLAN: FISCAL YEARS 2013-14 THROUGH 2015-16

The Air Resources Board (ARB or Board) will conduct a public hearing at the time and place noted below to consider a draft investment plan for auction proceeds from the Cap-and-Trade program to reduce greenhouse gas (GHG) emissions pursuant to AB 32.

DATE: April 25, 2013

TIME: 9:00 a.m.

PLACE: California Environmental Protection Agency
Air Resources Board
Byron Sher Auditorium
1001 I Street
Sacramento, California 95814

BACKGROUND

In 2006, the Legislature passed the California Global Warming Solutions Act of 2006 (Assembly Bill 32 (AB 32); Stats. 2006, chapter 488). AB 32 created a comprehensive, multi-year program to reduce GHG emissions in California to 1990 levels by 2020, and to maintain and continue reductions beyond 2020. In March 2012, Governor Brown signed Executive Order B-16-2012 affirming a long-range climate goal for California to reduce greenhouse gases from transportation to 80 percent below 1990 levels by 2050.

The AB 32-mandated Scoping Plan (2008) contains a comprehensive array of strategies to reduce GHGs, including the Cap-and-Trade Regulation. The Cap-and-Trade Regulation is a key element of the Scoping Plan by: creating a limit on the emissions from sources responsible for 85 percent of California's GHG emissions; establishing the price signal needed to drive long-term investment in cleaner fuels and more efficient use of energy, and providing covered entities flexibility to implement the lowest-cost options to reduce emissions.

Cap-and-Trade Auctions

The first Cap-and-Trade auctions were held on November 14, 2012 and February 19, 2013, respectively. Subsequent auctions will be conducted quarterly. The majority of auction proceeds derive from the sale of allowances consigned to auction by investor-owned utilities, and those proceeds are required by the California Public Utilities Commission to be directed to benefit rate-payers. The more limited State portion of the proceeds from the auction is deposited in the Greenhouse Gas Reduction Fund (created

pursuant to Government Code section 16428.8) to support programs that further the regulatory purposes of AB 32.

Legislative Direction for Cap-and-Trade Auction Proceeds

In 2012, the Legislature passed and Governor Brown signed into law three bills— AB 1532 (Pérez, Chapter 807), Senate Bill (SB) 535 (De León, Chapter 830), and SB 1018 (Budget and Fiscal Review Committee, Chapter 39) (collectively referred to hereinafter as the “implementing legislation”)— that together establish a framework for developing an investment plan for projects and programs to be funded with Cap-and-Trade auction proceeds. SB 535 further requires that 25 percent of the proceeds that will be expended benefit disadvantaged communities and at least 10 percent of the proceeds expended be invested in projects located within those communities.

The implementing legislation establishes a two-step process for allocating funding to State agencies, with Department of Finance (Finance) as the lead agency. The first step is developing a three-year investment plan which Finance, in consultation with ARB and other State agencies, must develop and submit to the Legislature. The second step is the appropriation of funds to State agencies by the Legislature and Governor through the annual Budget Act, consistent with the three-year investment plan and in furtherance of the purposes of AB 32.

Requirements for the Investment Plan

The investment plan must identify near-term and long-term greenhouse gas emission reduction goals and targets; analyze gaps in current state strategies for meeting greenhouse gas reduction goals; and identify priority investments that facilitate greenhouse gas reductions. Prior to Finance submitting a final investment plan to the Legislature, ARB must hold at least two public workshops and a public hearing in coordination with Finance and the Climate Action Team.

Governor’s Budget Proposal

On January 10, 2013, the Governor released a proposed budget for Fiscal Year 2013-14, which described his priorities for the investment of the state portion of the auction proceeds. These priorities targeted transportation and energy as the two sectors with the largest contributors to GHG emissions in California. The proposed budget focused on clean transportation and sustainable communities, and energy efficiency and clean energy, as priority areas for investment to address these sectors. The Governor’s proposal also noted other areas that should be examined during the planning process, including natural resources and waste diversion.

DESCRIPTION OF THE CAP-AND-TRADE AUCTION PROCEEDS DRAFT INVESTMENT PLAN

As defined in the implementing legislation, the draft investment plan was developed by Finance in consultation with ARB and other State agencies. The purpose of the draft investment plan is to discuss the applicable requirements associated with the investment of auction proceeds and identify priority investments that will achieve greenhouse gas reductions and yield valuable co-benefits. As required, 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 addition, the plan provides maps to assist in identifying disadvantaged communities pursuant to SB 535, as well as a framework to implement priority investments. The plan also outlines suggested accountability principles for the funding, which are critical to ensure all funding is appropriated to further the purposes of AB 32 and to be consistent with state law.

Before releasing this draft investment plan, Administration representatives held a public consultation meeting in May 2012 to hear advice from experts and input from the public about approaches to investing auction proceeds. In February 2013, Finance and ARB released a draft Concept Paper on the investment of auction proceeds for public comment. Representatives from the Administration, including several representatives of the Climate Action Team then participated in three public workshops on the development of the investment plan on February 19, 2013 in Fresno, on February 25, 2013 in Sacramento, and on February 27, 2013 in Los Angeles to obtain additional public input on the Concept Paper and supplemental material presented at the events. Approximately 200 people spoke at the workshops and over 300 individuals or organizations submitted written comments. Commenters represented a broad array of different interests advocating for investment in a wide range of project areas including clean transportation, sustainable communities, energy efficiency, clean energy, natural resource management and preservation, agriculture, waste management and diversion, and disadvantaged community-focused projects.

Based on consultation with representatives from the Governor's Office and members of the Climate Action Team, and in consideration of public input from the workshops, the draft investment plan provides recommended priority investments for consideration by the Legislature during annual budget appropriation process. The intent is to provide information on potential investments that further the purposes of AB 32 and meet the requirements of the implementing legislation. Inclusion of a recommended investment in the plan does not guarantee funding. Ultimately, the Governor and Legislature will decide which programs will be funded and the level of funding, consistent with the final investment plan to be submitted by Finance pursuant to AB 1532.

This draft investment plan covers a three-year period, so some programs may not be funded until the second or third year of the plan. During the first year of this plan (FY 2013-14), it will be more effective to focus on enhancing existing programs and a

limited number of large projects while the overall investment program ramps up. This will allow time for agencies to get their programs ready for second or third year funding opportunities and will help ensure consistency with this investment plan and the purposes of AB 32.

Potential investments with auction proceeds must support reductions in greenhouse gas emissions. These investments should also be expected to deliver multiple co-benefits to protect our human and natural resources.

AVAILABILITY OF DOCUMENTS

The *Draft Cap-and-Trade Auction Proceeds Investment Plan: Fiscal Years 2013-14 through 2015-16* will be presented at the hearing. Copies of the draft may be obtained from ARB's Public Information Office, 1001 I Street, First Floor, Environmental Services Center, Sacramento, California, 95814, (916) 322-2990. The draft may also be obtained from the Program website at <http://www.arb.ca.gov/cc/capandtrade/auctionproceeds/auctionproceeds.htm>

SUBMITTAL OF COMMENTS

Interested members of the public may present comments orally or in writing at the hearing and may provide comments by postal mail or by electronic submittal before the hearing. To be considered by the Board, written comments not physically submitted at the hearing must be received **no later than 12:00 noon, April 24, 2013**, and addressed to the following:

Postal mail: Clerk of the Board, Air Resources Board
1001 I Street, Sacramento, California 95814

Electronic submittal: <http://www.arb.ca.gov/lispub/comm/bclist.php>

You can sign up online in advance with a request to speak at the Board hearing when you submit an electronic board item comment. For more information go to: <http://www.arb.ca.gov/board/online-signup.htm>

Please note that under the California Public Records Act (Government Code section 6250 et seq.), your written and verbal comments, attachments, and associated contact information (e.g., your address, phone, email, etc.) become part of the public record and can be released to the public upon request.

Further inquiries regarding this matter should be directed to Ms. Shelby Livingston, Chief, Climate Change Program Planning and Management Branch, at (916) 324-0934.

SPECIAL ACCOMMODATION REQUEST

Special accommodation or language needs can be provided for any of the following:

- An interpreter to be available at the hearing;
- Documents made available in an alternate format or another language;
- A disability-related reasonable accommodation.

To request these special accommodations or language needs, please contact the Clerk of the Board at (916) 322-5594 or by facsimile at (916) 322-3928 as soon as possible, but no later than 10 business days before the scheduled Board hearing.

TTY/TDD/Speech to Speech users may dial 711 for the California Relay Service.

Comodidad especial o necesidad de otro idioma puede ser proveído para alguna de las siguientes:

- Un intérprete que esté disponible en la audiencia.
- Documentos disponibles en un formato alterno u otro idioma.
- Una acomodación razonable relacionados con una incapacidad.

Para solicitar estas comodidades especiales o necesidades de otro idioma, por favor llame a la oficina del Consejo al (916) 322-5594 o envíe un fax a (916) 322-3928 lo más pronto posible, pero no menos de 10 días de trabajo antes del día programado para la audiencia del Consejo. TTY/TDD/Personas que necesiten este servicio pueden marcar el 711 para el Servicio de Retransmisión de Mensajes de California.

CALIFORNIA AIR RESOURCES BOARD

/s/

Richard W. Corey
Executive Officer

Date: April 16, 2013

The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption. For a list of simple ways you can reduce demand and cut your energy costs, see our website at www.arb.ca.gov.