

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 ₂ 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
Total	399.5	\$63.1	100.0

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 ₂ 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

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

Recommendation

- Approve staff proposal with recommended regulatory changes