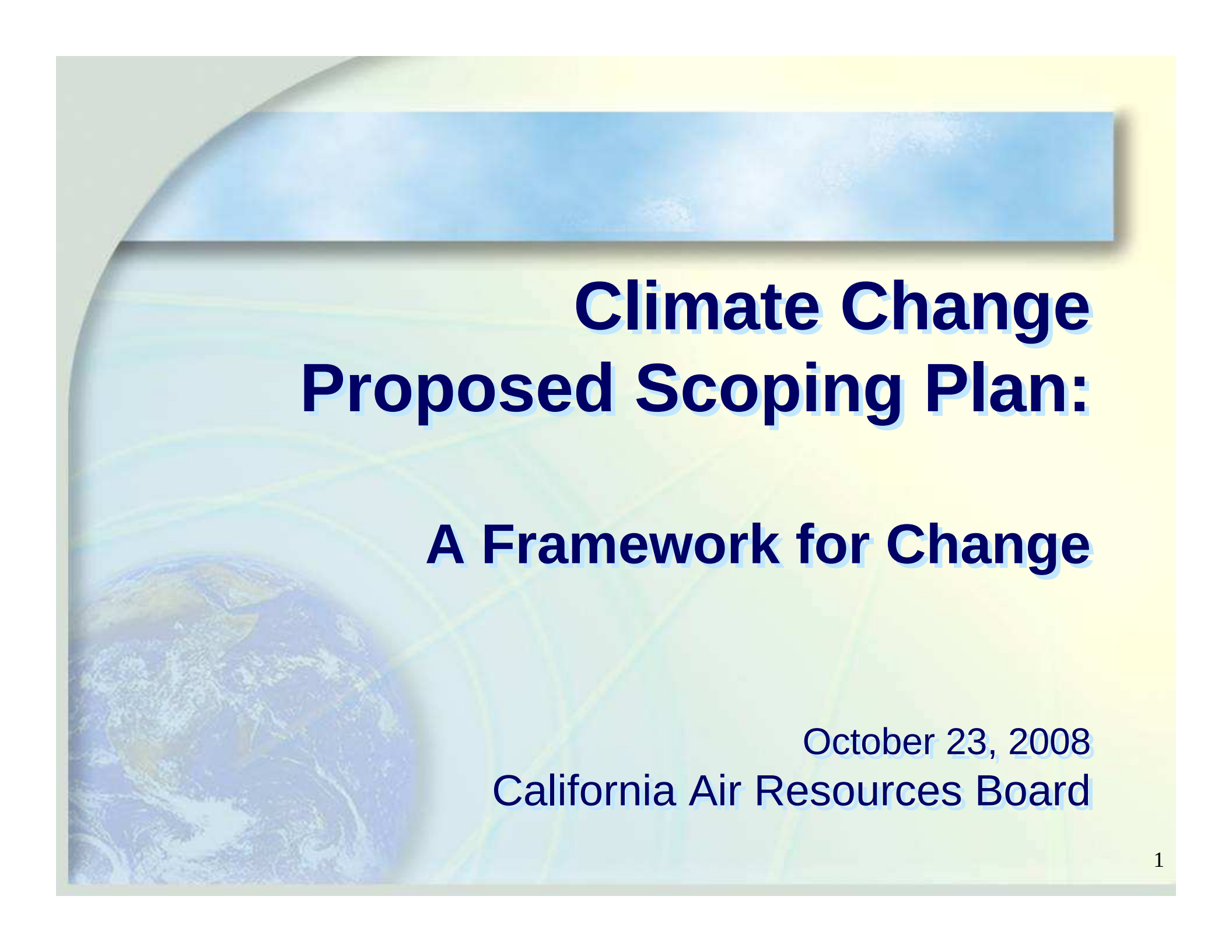




Climate Change Proposed Scoping Plan:

A Framework for Change

October 23, 2008
California Air Resources Board

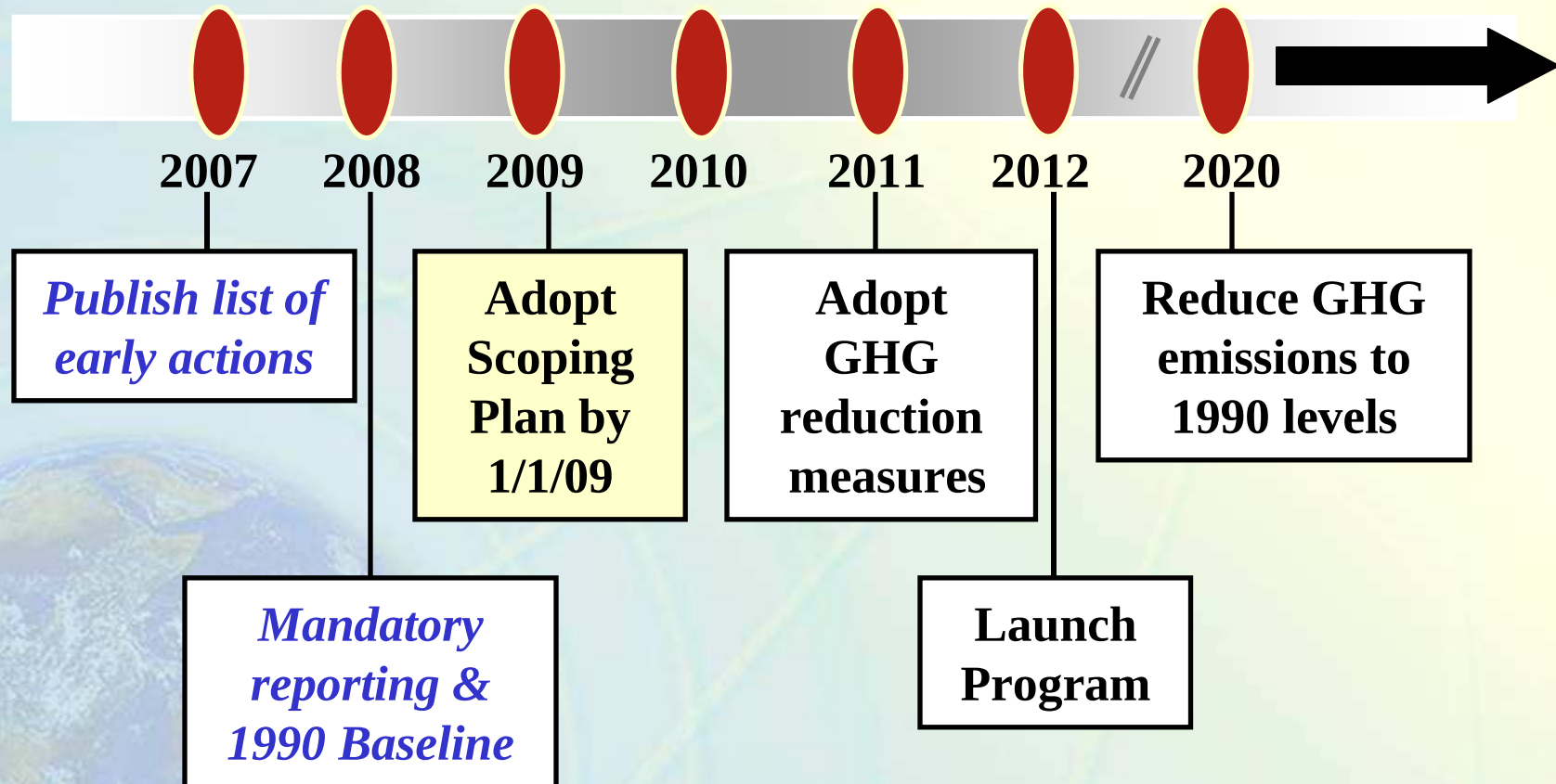
The Time for Action Is Now

- Reduce California's greenhouse gas emissions to 1990 levels by 2020
- Provide a model for regional, national and international programs
- Grow the State's economy and promote investment in green technology
- Protect and improve public health

Today's Presentation

- Proposed Scoping Plan Overview
- Major Issues
- Next Steps

AB 32 Timeline



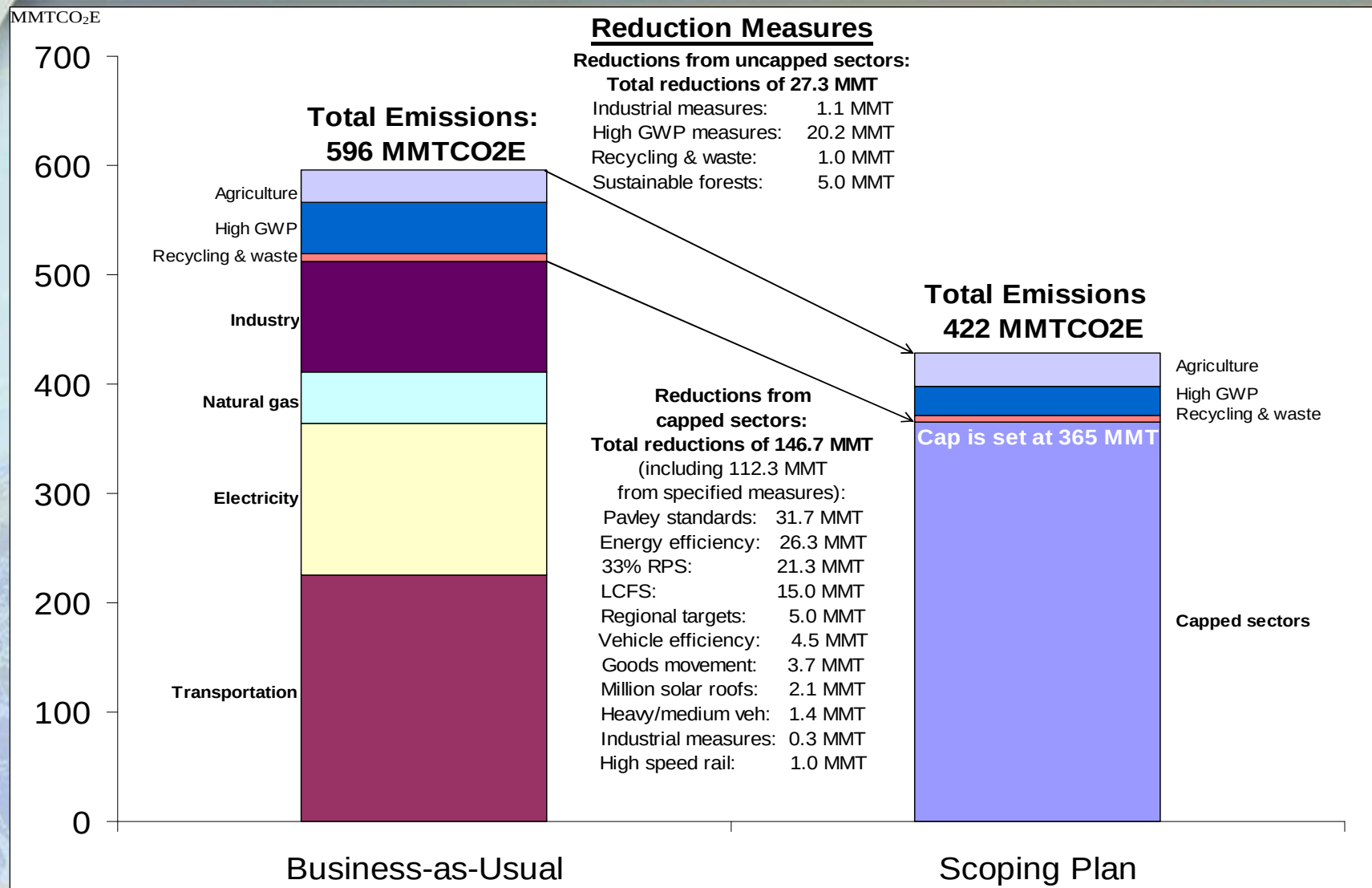
Scoping Plan Development

- Release Draft Scoping Plan – June '08
- Receive input
 - Workshops
 - Community meetings
 - Written comments
 - Stakeholder meetings
 - Climate Action Team
- Release Supplemental Evaluations – Sept '08
 - Workshop and comments
- Release Proposed Scoping Plan – Oct '08

Recommendation

- Mix of strategies that combine market mechanisms, other regulations, voluntary measures, and fees
- Key elements:
 - Energy efficiency programs
 - Renewable energy
 - California cap and trade program linked to WCI
 - Targets for transportation-related emissions
 - Existing laws and policies (Pavley, LCFS, etc.)
 - Targeted fees

California 2020 GHG Emissions and Recommended Reduction Measures



Key Changes

- Provides a margin of safety
- Increases commitment from regional transportation-related targets
- Sets a reduction goal for local governments
- Includes 4 additional industrial measures
- Incorporates additional recycling/waste measures
- Adds a mitigation fee for high GWP materials
- Discusses reductions needed by 2030 and 2050

Cap and Trade

- Firm cap on emissions
- California program linked to Western regional partner programs
- Electricity and industrial sectors in 2012
 - Add Transportation and Natural Gas in 2015

Sector-Based Measures

Capped Sectors

- **Transportation**
 - Pavley I and II, Low carbon fuel standard, Regional transportation-related targets, Light, medium and heavy-duty vehicle efficiency, High speed rail
- **Electricity/Energy**
 - Energy efficiency, 33 percent renewables, Million solar roofs
- **Industry**
 - Refinery measures, Energy efficiency audit

Sector-Based Measures

Uncapped Sectors

- Industry
 - Oil and gas transmission and extraction
- High Global Warming Potential Gases
 - New products, Existing banks
- Forests
 - Preserve sequestration, Encourage biomass
- Recycling and Waste
 - Landfill methane, High recycling/Zero waste
- Agriculture
 - Methane capture at large dairies (voluntary)

Energy Savings

Reductions from Business-as-Usual in 2020

Gasoline	25%
Diesel	17%
Electricity Consumption	22%
Natural Gas*	24%

* – uses other than electrical generation

Economic Evaluation

- Create jobs and save households money
 - Less spent on energy means more spent on other goods, services, and products
- Position California to move toward more sustainable future
 - Energy efficiency and clean technology
- Additional evaluation during regulatory development

Economic Evaluation

Changes from Business-as-Usual in 2020

Economic Production	↑ \$33 billion
Overall Gross State Product	↑ \$7 billion
Overall Personal Income	↑ \$16 billion
Per Capita Income	↑ \$200
Jobs	↑ 100,000

Public Health Evaluation

- Plan will improve public health statewide
- Avoid 400 premature deaths in 2020
 - \$2.2 billion in air-quality public health benefits
- Additional benefits from local and regional transportation measures
 - Facilitate moderate physical activity
- Additional evaluation during regulatory development

CEQA Evaluation

- ARB has included with the Proposed Plan its CEQA evaluation of the potential environmental impacts
- More detailed CEQA analysis will be conducted during implementation of the individual measures

Major Issues

- Cap and Trade
- Allocation
- Offsets
- Use of Revenue
- Co-Benefits

Cap and Trade

- How much should the Plan rely on a cap-and-trade program?
- What the Plan recommends:
 - Cap on 85 percent of emissions
 - Complementary measures to achieve cost-effective reductions while accelerating transition to low-carbon economy

Allocation

- How should allowances be distributed?
- What the Plan recommends:
 - Minimum of 10% auction in 2012
 - Minimum of 25% auction in 2020
 - 100% auction is recommended by many groups
 - Will seek input from broad range of experts in open public process

Offsets

- What should be the role of offsets?
- What the Plan recommends:
 - At least half of the reductions must come from capped sources
 - All offsets must meet high quality standards; no geographic limits

Use of Revenue

- What are the best uses of revenue?
- What the Plan recommends:
 - There are many potential beneficial uses of revenue
 - Will seek input from broad range of experts in open public process as part of the design of the cap-and-trade program

Co-Benefits

- How will the Plan improve air pollution and public health?
- What the Plan recommends:
 - Reductions in future fuel use will improve public health statewide
 - Cannot address localized environmental impacts at Plan level
 - Must consider direct, indirect, and cumulative impacts of market-based compliance mechanisms

Moving Toward 2050

A Clean Energy Future



Next Steps

- *October 15, 2008*
 - *Released Proposed Scoping Plan and opened CEQA comment period*
- *October 23, 2008*
 - Update to Board
- *November 20 or 21, 2008*
 - Public Hearing to discuss Plan
- *December 11 or 12, 2008*
 - Board vote on Scoping Plan

Scoping Plan Implementation

- Two years to adopt AB 32 measures
 - Regulatory development will follow normal public process
 - Extensive stakeholder outreach and involvement, including small business
- Implementation and enforcement critical
- Local governments, State energy agencies, the Climate Action Team, and air districts will play key role

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**We owe our children and we owe our
grandchildren. We simply must do
everything in our power to fight global
warming before it is too late.**

**-- Governor Arnold Schwarzenegger
at the AB 32 signing ceremony
September 27, 2006**