



Proposed AB 32 Cost of Implementation Fee Regulation and Proposed Amendment to the Mandatory Reporting of Greenhouse Gas Emissions Regulation

California Air Resources Board
Board Hearing
June 25-26, 2009

Staff Proposal

- Establish regulatory fee to fund cost of implementing AB 32
 - Assess annual fee on greenhouse gas emissions
 - Use revenue for State administrative costs
- Amend the Mandatory Reporting Regulation
 - Require use of electronic reporting tool

Why Is a Fee Needed?

- Major new program
- Continuous funding source needed to implement AB 32
- No dedicated funding source currently exists for AB 32
- Program start-up funded through loans, redirected positions/resources, and unsustainable revenue shifts

Fee Background

- Authority for Fee in AB 32 statute
- Concept included in Scoping Plan
- Three previous State budgets specify payback of start-up loans

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 straightforward

Affected Entities

- Approximately 250 fee payers:
 - Large natural gas distributors and some large users of natural gas
 - Producers/importers of gasoline/diesel fuel
 - Refineries
 - Cement manufacturers
 - Importers of out-of-state electricity
 - Facilities that combust coal

Information Required to Set Fee Level

- Approved AB 32 costs
- Annual GHG emissions data

Approved AB 32 Costs

- Directly related to AB 32 implementation
 - Subset of larger statewide climate effort
 - Includes personnel, contracts, equipment and other costs
 - Limited to State agencies' activities
- Only expenses in approved state budget
- Repayment of start-up loans
 - 09/10 fiscal year through 12/13 fiscal year

Approved AB 32 Costs Resource Estimates

- **Start-up loans for ARB and Cal/EPA**
 - 07/08 Budget (\$15.5 million)
 - 08/09 Budget (\$32.0 million)
 - 09/10 Budget Tentative Loan (\$35 million)
- **Annual program costs for all State agencies**
 - 09/10 preliminary (\$36.2 million)

Estimated Fiscal Year 09/10 Fee

- Revenue required

\$36.2 million program costs
+
\$13.5 million loan repayment
\$49.7 million Required Revenue

- Timing

–Jan 2010	Data reporting complete
–Feb 2010	Fee notice sent to entities
–Spring 2010	Entities remit fee to ARB

Annual GHG Emissions Data

- Reported data
 - Fuels consumed or supplied
 - Large industrial process emissions
 - Imported electricity
- Electronic submission
 - Administratively simple
 - Provides quality assurance and data certification
 - Uses expanded version of existing reporting tool

Fee Calculation

Step 1: ARB calculates \$/metric ton (MT) of GHG emitted (Fee Rate)

- Revenue required
- Annual greenhouse gas emissions data
- Preliminary Fee Rate estimate for 09/10 = \$0.12/MT of CO₂

Step 2: Entity-specific information used to calculate annual fee

- \$/MT of GHG gas X MT of GHG per entity

Economic Considerations

- Expect fee to be passed through to end users
- Very small increases in utility and fuel costs
 - \$0.001 per gallon of gasoline
 - \$0.00005 per kilowatt hour
 - \$0.0007 per therm
- Minimal costs to individual and business consumers

Effects on Business and Individuals

Fiscal Year 09/10

Businesses:

- Family restaurant \$14
- 100 person office \$ 7
- Full-service grocery store \$95

Household:

- Natural gas and electricity \$0.62
- Vehicle use \$0.65
 - Per vehicle at 15,000mile/year and 30 mpg

Mandatory Reporting Requirements

- Additional Requirement
 - Required use of ARB's online greenhouse gas reporting tool
 - Tool will be modified to facilitate use with Fee regulation

Proposed Regulatory Changes

Based on comments received so far, staff recommends several changes to the draft regulation published in May:

- Clarifications
 - Definitions
 - Severability
- Interstate natural gas pipelines

Recommendation

- Approve staff proposal with recommended regulatory changes