

MEETING  
STATE OF CALIFORNIA  
AIR RESOURCES BOARD

CAL/EPA HEADQUARTERS  
BYRON SHER AUDITORIUM  
SECOND FLOOR  
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SACRAMENTO, CALIFORNIA 95814

FRIDAY, JULY 25, 2014  
8:42 A.M.

TIFFANY C. KRAFT, CSR  
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APPEARANCES

BOARD MEMBERS

Ms. Mary Nichols, Chairperson

Mr. Hector De La Torre

Mr. John Eisenhut

Supervisor John Gioia

Mayor Judy Mitchell

Supervisor Phil Serna

Dr. Alex Sherriffs

Professor Dan Sperling

STAFF

Mr. Richard Corey, Executive Officer

Dr. Alberto Ayala, Deputy Executive Officer

Ms. Edie Chang, Deputy Executive Officer

Ms. Lynn Terry, Deputy Executive Officer

Ms. Ellen Peter, Chief Counsel

Ms. La Ronda Bowen, Ombudsman

Ms. Terry Roberts, Manager, Sustainable Communities Policy  
and Planning Section, AQPS

Ms. Katrina Sideco, Air Resources Engineer, Fuels Section,  
Industrial Strategies Division

APPEARANCES (CONTINUED)

ALSO PRESENT

Mr. Will Barrett, American Lung Association

Ms. Dina Biscotti, BlueGreen Alliance

Ms. Amber Blitz, Independent Energy Producers Association

Mr. Craig Breon, Kern-Kaweah Sierra Club

Mr. Todd Campbell

Mr. Cesar Campos

Mr. Tim Carmichael, California Natural Gas Vehicle  
Coalition

Ms. Heather Dumais

Mr. Quentin Foster, CalETC

Ms. Veronica Garibay, Leadership Counsel for Justice and  
Accountability

Ms. Jamie Hall, CALSTART

Ms. Carey Knecht, Climate Plan

Mr. Adam Livingston, Sequoia Riverlands Trust/Southern  
Sierra Partnership

Ms. Jerilyn Lopez-Mendoza, Southern California Gas Company

Mr. Bill Magavern, Coalition for Clean Air

Mr. Simon Mui, NRDC

Ms. Rachael O'Brien, Union of Concerned Scientists and  
Consumer's Union

Mr. Timothy O'Connor, EDF

Mr. John O'Donnell, Glass Point Solar

APPEARANCES (CONTINUED)

ALSO PRESENT

Ms. Liz O'Donoghue, The Nature Conservancy

Ms. Cathy Reheis-Boyd, WSOA

Ms. Katelyn Roedner Sutter, Catholic Charities Diocese of  
Stockton

Mr. Chuck White, Waste Management

Ms. Ella Wise, Natural Resources Defense Council

INDEX

	<u>PAGE</u>
Item 14-6-7	
Chairperson Nichols	3
Executive Officer Corey	4
Staff Presentation	5
Ms. Roedner	22
Mr. Livingston	25
Mr. Breon	26
Ms. Dumais	29
Ms. Knecht	31
Mr. Magavern	32
Ms. O'Donoghue	34
Ms. Wise	35
Ms. Garibay	37
Mr. Campos	40
Item 14-6-8	
Chairperson Nichols	62
Executive Officer Corey	62
Staff Presentation	64
Ms. Roedner Sutter	79
Ms. Reheis-Boyd	80
Mr. Foster	84
Mr. O'Donnell	85
Mr. White	88
Ms. Lopez-Mendoza	93
Ms. O'Brien	94
Mr. Hall	96
Mr. Magavern	98
Ms. Biscotti	99
Mr. Mui	101
Mr. Carmichael	103
Mr. Barrett	103
Mr. O'Connor	106
Mr. Campbell	108
Public Comment	
Ms. Rothrock	114
Ms. Blixt	116
Adjournment	122
Reporter's Certificate	123



1 BOARD CLERK JENSEN: Mrs. Riordan?

2 Supervisor Roberts?

3 Supervisor Serna?

4 BOARD MEMBER SERNA: Here.

5 BOARD CLERK JENSEN: Dr. Sherriffs?

6 BOARD MEMBER SHERRIFFS: Here.

7 BOARD CLERK JENSEN: Professor Sperling?

8 BOARD MEMBER SPERLING: Here.

9 BOARD CLERK JENSEN: Chairman Nichols?

10 CHAIRPERSON NICHOLS: Here.

11 BOARD CLERK JENSEN: Madam Chairman, we have a  
12 quorum.

13 CHAIRPERSON NICHOLS: Excellent. I feel like I  
14 can skip the usual announcements this morning because most  
15 of you were here yesterday. But for those of that you  
16 weren't, this is a reminder for those of you that want to  
17 address the Board, fill out a card before the item comes  
18 up or at the very beginning of the staff report so we know  
19 who's going to be speaking and can plan our time  
20 accordingly.

21 And also I'm required by the building management  
22 to announce that there are exits, two the back, two on the  
23 sides. And in the event of a drill, alarm going off, we  
24 are required to leave the building promptly by the stairs  
25 back there and not to return until we hear an all-clear

1 signal.

2           Other than that, I think we can get right into  
3 our program for this morning. And we're going to begin  
4 with an update to the Board on the San Joaquin Valley  
5 sustainable community strategies. I think everyone  
6 remembers that we started this discussion recently in the  
7 May Board meeting. And while today's hearing  
8 informational item really doesn't involve any decisions  
9 about acceptance or rejection of any of the NPO  
10 determinations that their sustainable community strategies  
11 will meet the greenhouse gas targets the Board  
12 established, the Board felt it would be useful to have  
13 another opportunity to learn more about what's happening  
14 with the valley plans and to hear from the staff about  
15 their ongoing review of these plans.

16           We are very pleased that we're joined today by  
17 several of the NPO directors from the valley. We're glad  
18 our first encounter didn't scare you away, and we're very  
19 grateful for your work. We truly are appreciative of the  
20 fact that this is something new and that you're all taking  
21 part in something that feels like a bit of an experiment.  
22 But we have a lot of confidence that it's going to produce  
23 something worthwhile.

24           So with that, I will turn it over to Richard  
25 Corey, our Executive Officer.

1           DEPUTY EXECUTIVE OFFICER COREY: Thank you,  
2 Chairman.

3           The per capita greenhouse gas emission reduction  
4 targets the Board adopted for the eight San Joaquin Valley  
5 MPOs in 2010 were five percent by 2020 and 10 percent by  
6 2035 from a 2005 base line. As of this week, six of the  
7 eight valley MPOs have adopted the regional transportation  
8 plans, and the last two are scheduled for adoption in the  
9 next few weeks.

10           In May, staff's presentation focused on the four  
11 largest valley MPOs. This included looking at how their  
12 draft plans were expected to perform with respect to a  
13 variety of land use and transportation metrics. Since  
14 May, staff has been delving deeper into obtaining a better  
15 understanding of how the land use patterns in each of the  
16 eight regions could change as a result of the SCS  
17 implementation, the technical analysis used by the MPOs,  
18 especially with regard to the inter-regional travel and  
19 sensitivity testing of the models.

20           Today, we'll hear what staff has learned about  
21 the valley SCSs since we last presented to the Board two  
22 months ago. Today's briefing is an interim status report.  
23 Staff's technical of the GHG determinations is still  
24 mid-stream and will continue through the summer.

25           Staff is targeting this fall to bring the first

1 value SCS, Fresno's, to you for formal consideration.

2 With us again today are Andy Chesley, Executive  
3 Director of the San Joaquin County Council of Governments;  
4 Ahron Hakimi, Executive Director of the Kern County  
5 council of Governments; Tony Boren, Executive Director of  
6 the Fresno Council of Governments; and Carlos Yamzon,  
7 Executive Director of the Stanislaus Council of  
8 Governments.

9 Thank you all for attending the meeting and being  
10 able to help answer any questions.

11 I'll now ask Terry Roberts from our  
12 Transportation Planning Branch to begin the staff  
13 presentation.

14 Terry.

15 (Thereupon an overhead presentation was  
16 presented as follows.)

17 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

18 SECTION MANAGER ROBERTS: Thank you, Mr. Corey.

19 Good morning, Chairman Nichols and members of the  
20 Board.

21 --o0o--

22 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

23 SECTION MANAGER ROBERTS: In this presentation, we will  
24 look at how the San Joaquin Valley Sustainable Community  
25 Strategies, or SCS, planning process, is setting the stage

1 for more sustainable land use and transportation policies.

2 We will provide an overview of the steps that  
3 staff is taking to evaluate the ability of the valley  
4 models to capture the greenhouse gas benefits of the SCSs  
5 developed by the eight county MPOs in the San Joaquin  
6 Valley. Since the May Board meeting, several valley MPOs  
7 have begun to provide additional technical information  
8 that will help staff to assess whether their SCSs can  
9 achieve their greenhouse gas emission reduction targets.  
10 Staff technical review of the greenhouse gas  
11 quantifications on the valley SCSs will be done for each  
12 one, and we will report the results at future Board  
13 meetings.

14 We will conclude the presentation with a preview  
15 of the work that staff is doing to prepare for the Board  
16 Item in October on a target update process.

17 --o0o--

18 SUSTAINABLE COMMUNITIES POLICY AND PLANNING  
19 SECTION MANAGER ROBERTS: In 2009, the San Joaquin Valley  
20 Regional Policy Council approved its first blueprint  
21 planning scenario developed jointly by all eight MPOs.  
22 Each of the 2014 SCSs is unique to the region. But in  
23 general, they build on the valley-wide blueprint by  
24 encouraging a more compact urban form and expanding  
25 opportunities for alternative travel modes in their

1     respective regional transportation plans, or RTPs.

2             The next set of slides highlights specific  
3     aspects of four of the eight valley SCSs, including those  
4     of Fresno, Stanislaus, San Joaquin, and Kern Counties. By  
5     contrasting the previous RTPs with their latest RTP SCS,  
6     we see changes in growth policies and investment  
7     priorities.

8                             --o0o--

9                     SUSTAINABLE COMMUNITIES POLICY AND PLANNING

10     SECTION MANAGER ROBERTS: In Fresno, the 2014 SCS  
11     encourages a land use pattern that projects one-third  
12     fewer acres of land being used for developed as compared  
13     to Fresno's 2011 RTP. This is the result of a more  
14     compact urban form with an increasing amount of  
15     multi-family housing. Over one-third of new homes would  
16     be multi-family units, compared to the historical trend of  
17     15 percent multi-family units.

18             Residential density is forecast to increase from  
19     4.6 units per acre to over seven units per acre,  
20     especially along new bus rapid transit routes that are  
21     planned or under construction. By 2025, over a quarter of  
22     new housing and 70 percent of new jobs would be located  
23     within one half mile of a transit stop with frequent  
24     service.

25                             --o0o--

## 1 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

2 SECTION MANAGER ROBERTS: Fresno's 2014 RTP SCS contains  
3 investment policies to enhance alternative modes of  
4 travel, in places where new growth is planned. The amount  
5 of funding for bicycling and walking infrastructure has  
6 increased by 25 percent compared to the last RTP.

7 There is also an increase in transit funding for  
8 expansion of existing services and for five new bus rapid  
9 transit lines, the first of which is under construction.  
10 The increases in funding for transit and active  
11 transportation are accompanied by a decrease in  
12 investments in roadway capacity expansion projects.

13 A photo here is one example of a transportation  
14 strategy in Fresno to reduce vehicle travel by providing  
15 new bike infrastructure. Gettysburg Avenue was converted  
16 from a four-lane road to a two-lane road with a center  
17 turn lane and new bike lanes in each direction. This  
18 roadway was identified in the City's 2010 bike and  
19 pedestrian master plan as a critical link in the bike  
20 network. It offers a safer environment for motorists and  
21 bicyclists and promotes complete streets for all modes.

22 --o0o--

## 23 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

24 SECTION MANAGER ROBERTS: Here are some examples of  
25 building projects that have been constructed or are under

1 construction in Fresno County. The top two photos show  
2 projects in the city of Fresno. The 1612 Fulton project,  
3 completed in 2013, is a mixed use project with 30  
4 residential units, including twelve live/work units. It  
5 is within one-half mile of existing transit and also  
6 within a half mile of the county's first BRT line  
7 currently under construction.

8 On the right is the Droge mixed use project,  
9 which when completed will provide 45 residential units and  
10 3,000 square feet of commercial space. It is also within  
11 a half mile of the new BRT line.

12 At the bottom of the screen is a mixed use  
13 affordable senior apartment project in the city of  
14 Kingsburg, population 11,000, which will be completed next  
15 year.

16 --o0o--

17 SUSTAINABLE COMMUNITIES POLICY AND PLANNING  
18 SECTION MANAGER ROBERTS: The land use policies in  
19 Stanislaus' SCS would result in a consumption of 25  
20 percent less land compared to historical growth trends.  
21 This is in part because one-third of all new housing units  
22 would be multi-family, which requires less land per unit  
23 than single family home construction. The SCS forecasts  
24 that 25 years from now, over one-third of homes would be  
25 within a half mile of frequent transit service.

1 Overall, new residential development would  
2 increase in density from about eight units per acre to  
3 over 11 units per acre.

4 --o0o--

5 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

6 SECTION MANAGER ROBERTS: More compact growth would be  
7 accompanied by larger investments in transit, as evidenced  
8 by the allocation of three times as much funding for  
9 transit as compared to the 2011 RTP. In addition, the  
10 2014 plan dedicates less funding for capacity-expanding  
11 roadway projects.

12 --o0o--

13 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

14 SECTION MANAGER ROBERTS: These projects in the city of  
15 Newman, population 10,000, demonstrate efforts to  
16 revitalize the city's downtown with the Mustang Peak  
17 Village Residential Infill Project and the Downtown Plaza,  
18 which won a San Joaquin Valley Blueprint Award.

19 --o0o--

20 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

21 SECTION MANAGER ROBERTS: Now let's look at some examples  
22 of the San Joaquin SCS, which would result in land use  
23 changes as compared to their previous plan. These changes  
24 are reduced consumption of lands for new development, a  
25 substantial number of new housing units being multi-family

1 rather than single family, increases in average  
2 residential density, and an increase in the number of jobs  
3 and housing within walking distance of high quality  
4 transit service.

5 --o0o--

6 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

7 SECTION MANAGER ROBERTS: The more compact infill  
8 development encouraged by San Joaquin COG's SCS is  
9 supported by a wider range of travel options due to  
10 changes in funding priorities in the 2014 RTP. The  
11 funding for bicycle and walking infrastructure has  
12 increased, with plans for over 800 miles of new bicycle  
13 lanes. There are targeted investments to improve transit  
14 service and routes, with one third of the total transit  
15 budget dedicated to system expansion.

16 --o0o--

17 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

18 SECTION MANAGER ROBERTS: Here are some examples of  
19 projects in the cities of Stockton and Tracy that  
20 demonstrate smart growth concepts of mixed use infill and  
21 downtown revitalization.

22 On the left is an artist's rendering of the Cal  
23 Weber project, a planned conversion of an historic  
24 building to mixed use affordable housing. On the right is  
25 the completed downtown Tracy plaza revitalization project

1 located adjacent to planned mixed use and residential  
2 buildings.

3 --o0o--

4 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

5 SECTION MANAGER ROBERTS: Now let's next turn to Kern.

6 The metropolitan Bakersfield area is already home to over  
7 40 percent of Kern County's population and the SCS plans  
8 for much of the region's growth to be focused here. This  
9 would enable the county to make better use of targeted  
10 transportation investments. The number of homes within  
11 walking distance of high quality, frequent transit service  
12 would nearly double in the next 25 years.

13 --o0o--

14 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

15 SECTION MANAGER ROBERTS: Compared to past plans, Kern's  
16 transportation plan dedicates more funding to transit and  
17 infrastructure for biking and walking. The plan allocates  
18 seven times more funding for transit-related capital  
19 projects. Kern also plans to spend six times more on bike  
20 and walk projects, which include over 1,000 miles of bike  
21 routes.

22 --o0o--

23 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

24 SECTION MANAGER ROBERTS: As in other counties, here are a  
25 few examples of efforts to revitalize downtowns to attract

1 and accommodate infill growth.

2           The Baker Street project on the left was  
3 completed in 2011 and is a mixed use infill development  
4 within a quarter mile of transit. On the right is a plan  
5 view and street view of the Bakersfield historic arts  
6 district, which is being revitalized through  
7 public-private partnerships. These examples illustrate  
8 that with public and private support, infill projects can  
9 be done in communities like Bakersfield.

10                   --o0o--

11                   SUSTAINABLE COMMUNITIES POLICY AND PLANNING

12 SECTION MANAGER ROBERTS: In order to provide the Board  
13 with recommendations on our review of the greenhouse gas  
14 quantifications for the valley SCSs, we have initiated a  
15 comprehensive technical work plan. The next few slides  
16 provide an overview of the work underway to evaluate the  
17 basic performance of the valley travel models, the model's  
18 sensitivity to land use and transportation strategies,  
19 their sensitivity to key inputs and assumptions, and to  
20 identify how the models estimate inter-regional travel.

21           As we go through the next few slides, you'll see  
22 that our evaluation of the valley model results is  
23 analogous to how we view air quality modeling results. In  
24 other words, we check to see if the models can replicate  
25 observed data, whether they are sensitive to changes in

1 selected variables, and whether the input data and  
2 assumptions are reasonable.

3 --o0o--

4 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

5 SECTION MANAGER ROBERTS: The valley MPOs are using the  
6 same core model which was developed through funding from  
7 the Strategic Growth Council and Fresno COG has provided  
8 theirs to us.

9 ARB staff is running the model to evaluate its  
10 ability to represent modeling variables, such as the  
11 number of person and vehicle trips, the average length of  
12 those trips, the mode used by trip purpose, and traffic  
13 volumes, and VMT estimations. Staff will compare the  
14 model's outputs to observed data from reliable sources  
15 such as the American community survey and the California  
16 household travel survey.

17 --o0o--

18 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

19 SECTION MANAGER ROBERTS: At ARB's request, MPO staff and  
20 consultants are conducting sensitivity tests on each of  
21 the regional travel models. These sensitivity tests will  
22 help us to understand the ability of the models to respond  
23 to land use and transportation strategies that are  
24 reflected in their SCSs, including the types of projects  
25 and transportation investments mentioned earlier in this

1 presentation.

2           On this slide are several examples of the  
3 sensitivity tests that ARB has requested. Note that the  
4 transit-related tests are relevant only for those MPOs  
5 that have a transit network. We have requested a variety  
6 of sensitivity tests on each of the COG's travel models  
7 and we're beginning to receive some preliminary results.

8                               --o0o--

9           SUSTAINABLE COMMUNITIES POLICY AND PLANNING

10 SECTION MANAGER ROBERTS: Part of our review process  
11 involves examining the input data and assumptions in the  
12 valley models. As we review each greenhouse gas  
13 quantification, we will evaluate how well the particular  
14 valley model responds to macro influences, such as auto  
15 operating cost, economic activity, and household income  
16 distribution. These factors influence the model's  
17 representation of travel behavior and therefore can affect  
18 the greenhouse gas quantification. In looking at the  
19 assumptions about auto operating costs, we will learn  
20 whether the models take into account all the various  
21 components of cost, and not just fuel price.

22                               --o0o--

23           SUSTAINABLE COMMUNITIES POLICY AND PLANNING

24 SECTION MANAGER ROBERTS: As we know, in a single county  
25 MPO, inter-regional travel can greatly influence

1 greenhouse gas quantification. San Joaquin COG is running  
2 the three county model to shed some light on the impact of  
3 inter-regional travel in the northern counties of San  
4 Joaquin, Stanislaus, and Merced.

5           Within this larger multi county area, more trips  
6 would be counted as local or internal and the related  
7 greenhouse gas emissions can be captured. The relative  
8 difference between the results of the single county models  
9 and the results of the three county model would help us to  
10 understand the influence of inter-regional travel. We  
11 expect to have the results of the three county model runs  
12 soon.

13           In addition, staff is consulting with outside  
14 modeling experts in reviewing the basic algorithms or  
15 equations in the valley models to shed light on the  
16 ability of the models to forecast inter-regional travel.  
17 Inter-regional travel is not just a valley issue. As part  
18 of our work on a future target update, which you'll hear  
19 about in a minute, we are also looking into improved  
20 inter-regional travel estimation methods statewide.

21                           --o0o--

22                   SUSTAINABLE COMMUNITIES POLICY AND PLANNING  
23 SECTION MANAGER ROBERTS: Now I'll briefly discuss the  
24 next steps for review of the greenhouse gas  
25 determinations.

1                   --o0o--

2                   SUSTAINABLE COMMUNITIES POLICY AND PLANNING

3   SECTION MANAGER ROBERTS: Review of the valley models and  
4   related technical information is underway and will  
5   continue through this summer and fall. We expect to  
6   complete eight separate SCS evaluations, one from each of  
7   the eight MPOs, over the next few months, starting with  
8   Fresno COG this fall.

9                   After Fresno, we will complete our evaluations of  
10   the San Joaquin's and Kern's determinations and the  
11   remaining valley MPO determinations. We will present you  
12   with staff reports on each one in late 2014 and early  
13   2015.

14                   --o0o--

15                   SUSTAINABLE COMMUNITIES POLICY AND PLANNING

16   SECTION MANAGER ROBERTS: Concurrent with our work to  
17   review the valley's GHG determinations, staff is also  
18   preparing for the Board discussion in October regarding a  
19   future target update process. Earlier this year, the  
20   Board requested that staff present an item in the fall to  
21   talk about when and how to update the SB 375 targets.  
22   This will be the subject of the October Board Item.

23                   SB 375 directs ARB to update greenhouse gas  
24   emissions reduction targets every eight years and may  
25   update the targets every four years.

1 --o0o--

2 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

3 SECTION MANAGER ROBERTS: We are beginning now to prepare  
4 for the October Board Item. Stakeholders are eager to  
5 provide input on a wide range of factors that should be  
6 considered, and we will ensure opportunities for public  
7 involvement and discussion before the October meeting.

8 Next month, staff will release a draft staff  
9 report that discusses a range of issues and factors that  
10 should be considered when the Board updates the targets.  
11 I'll talk about some of those considerations in just a  
12 moment.

13 In September, staff will host a second  
14 round-table meeting of stakeholders and workshops to  
15 receive input on the draft staff report. At the October  
16 meeting, staff will present recommendations on a target  
17 update process for Board consideration. The next slides  
18 identify examples of the policy, technical, and timing  
19 issues that staff intends to address in the staff report.

20 --o0o--

21 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

22 SECTION MANAGER ROBERTS: Listed here are several policy  
23 considerations in updating or revising the regional  
24 targets. SB 375 is just one of the ARB's many programs to  
25 reduce greenhouse gas emissions from the transportation

1 sector. We believe it's important to highlight the  
2 combined benefits of regional land use and transportation  
3 strategies and ARB's vehicle technology and fuels  
4 programs.

5 The public discussion about SB 375 often centers  
6 on the many benefits of sustainable communities, including  
7 public health benefits from the increased opportunity for  
8 active transportation and more walkable communities. This  
9 is an important context for the target-setting process.

10 We also know that resource protection, including  
11 preservation of open space and farmland, is an important  
12 benefit of improved land use planning. We will highlight  
13 these among the policy considerations in updating the  
14 target.

15 Other benefits of sustainable communities include  
16 water savings and cost savings, just to name a couple.

17 A critical policy consideration is the extent to  
18 which regional and local governments continue to engage in  
19 a positive way and build the momentum for local support of  
20 SB 375. To date, MPOs have worked very hard to develop  
21 SCSs with the participation and support of local  
22 governments. We want that model of cooperation to  
23 continue in future SCS development.

24 --o0o--

25 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

1 SECTION MANAGER ROBERTS: Here are some examples of the  
2 technical considerations that staff plans to address in  
3 the staff report for October.

4 As mentioned earlier, we need better tools and  
5 data to account for inter-regional travel, and staff has  
6 begun a dialog with modeling experts, not only to  
7 understand how inter-regional travel is currently  
8 estimated, but also to explore alternative methodologies  
9 that could be used in the target update process and in  
10 future SCS development.

11 We will explore the ways in which MPOs are  
12 improving their modeling capabilities to better represent  
13 the greenhouse gas benefits of land use and transportation  
14 policies in their scenario planning and SCS development.

15 We will also explore how the input data and  
16 assumptions in the regional models can be improved.

17 Another technical consideration is the method of  
18 accounting for the greenhouse gas benefits of regional and  
19 local policies that accelerate the purchase and use of  
20 zero emission vehicles since rapid penetration of the ZEVs  
21 into the vehicle fleet is an important goal.

22 Finally, we will look at how to best quantify the  
23 combined greenhouse gas benefits of SCSs with ARB's  
24 vehicle and fuels programs to assess progress in meeting  
25 the state's greenhouse gas reduction goals.

1 --o0o--

2 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

3 SECTION MANAGER ROBERTS: From a practical standpoint,  
4 MPOs need to have enough time once the targets are revised  
5 to engage in an effective local planning process and  
6 develop an SCS that can achieve the targets.

7 For the largest MPOs in the state, the planning  
8 progress begins three to four years before the next plan  
9 has to be adopted. Even for the smaller MPOs, plan  
10 development can take two to three years. May MPOs may  
11 want to take advantage of the provision in the law that  
12 allows them to recommend their targets to ARB, but they  
13 would need to provide those recommendations to us early  
14 enough so that they can be considered by the Board.

15 --o0o--

16 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

17 SECTION MANAGER ROBERTS: And because each MPO is on a  
18 different planning and adoption schedule, one issue for  
19 consideration is whether some targets should be updated  
20 earlier than others.

21 --o0o--

22 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

23 SECTION MANAGER ROBERTS: In conclusion, there is a  
24 detailed review of San Joaquin Valley modeling underway.  
25 And over the next few months, each valley GHG emission

1 reduction determination will be evaluated.

2 Staff is also developing a proposal on the update  
3 process for regional targets for all MPOs for Board  
4 consideration at the October Board meeting.

5 Finally, we will return to the Board beginning in  
6 the fall with separate staff reports that will document  
7 the results of our evaluations for each of the valley MPOs  
8 greenhouse gas determinations.

9 Thank you. That concludes the staff  
10 presentation. Thank you very much. I'm happy to answer  
11 any questions.

12 CHAIRPERSON NICHOLS: Thank you, Ms. Roberts.

13 I have a list of witnesses here, but it does not  
14 show the representatives of the valley. Are they not  
15 planning to speak this morning? Okay.

16 Shall we just go ahead and listen to the audience  
17 then? You have the list up there on the Board. If you're  
18 planning to speak and you haven't put your name on, please  
19 go see the clerk right away so we can plan our time.  
20 Everybody gets three minutes and welcome.

21 MS. ROEDNER SUTTER: Good morning. My name is  
22 Katelyn Roedner Sutter. I'm the Environment Justice  
23 Program Director for Catholic Charities in the Stockton  
24 Diocese.

25 Thank you very much for the opportunity to speak

1 with you this morning.

2 Catholic Charities has convened community  
3 coalitions in San Joaquin and Stanislaus Counties, which  
4 successfully advocated for aggressive and achievable  
5 sustainable community strategies. While we would  
6 certainly love to see even more done, we are pleased with  
7 the work these COGs have put into their SCSs and are very  
8 encouraged by the progress that we see. San Joaquin COG  
9 is already taking some concrete steps towards  
10 implementation with broad community and stakeholder  
11 engagement, which gives us reason to be optimistic these  
12 plans are achievable and will achieve their GHG and VMT  
13 reductions.

14 Stanislaus has made tremendous strides in  
15 protecting its valuable farmland and San Joaquin has  
16 reduced highway expansion funding by over one billion  
17 dollars, while increasing funding for active  
18 transportation. By extension, we also want to thank the  
19 Air Resources Board for supporting this important work.

20 To ensure the success of these SCSs, we ask that  
21 ARB carefully and thoroughly review these plans to ensure  
22 the reduction targets are being met through changes in  
23 land use and transportation planning. Many assumptions  
24 have been made in the development of these SCSs, and we  
25 would like the role of these assumptions versus the

1 valuable strategies put forth be clarified.

2 We would also ask that the modeling around  
3 inter-regional trips be clarified, and we're pleased to  
4 hear about the efforts going onto do this. Inter-regional  
5 travel has been a challenge, especially in San Joaquin  
6 County where we have a significant number of Bay Area and  
7 Sacramento commuters. COG Board members brought this  
8 issue up frequently in the SCS process and improved  
9 modeling on inter-regional trips would be very valuable  
10 for the next round of SCSs.

11 Additionally, we ask that during this review  
12 process ARB pay particular attention to the burden placed  
13 on poor and vulnerable communities. Not only do these  
14 communities suffer most from the poor air quality, limited  
15 access to transit, incomplete streets and poor planning  
16 overall, but they stand to bear a greater burden of  
17 increased fuel prices. Depending on increased gasoline  
18 prices to meet the targets is disproportionately burdening  
19 our most vulnerable communities.

20 Lastly, we ask that ARB provide support and  
21 technical expertise to our neighbors to the south, Madera  
22 and Merced, said as they develop alternative planning  
23 strategies to meet their GHG targets. All San Joaquin  
24 Valley residents deserve access to high quality transit  
25 and clean air so we ask that you provide the guidance and

1 expertise necessary to ensure this development. Thank you  
2 very much for your time and for the significant work on  
3 this sustainable community strategies by yourselves and  
4 your staff.

5 CHAIRPERSON NICHOLS: Perfect timing, too. Thank  
6 you.

7 Adam Livingston.

8 MR. LIVINGSTON: Thank you. My name is Adam  
9 Livingston. I'm here on behalf of Sequoia Riverlands  
10 Trust and the Southern Sierra Partnership.

11 First, I'd like to thank Air Resources Board and  
12 the valley COGs for the work they've done to implement SB  
13 375 in this inaugural round of the SCS process.

14 As you've heard, several COGs, including some in  
15 the southern San Joaquin Valley where we work have made  
16 significant progress compared to their 2011 RTPs, with  
17 Fresno more than doubling funds for transit and Kern going  
18 from one percent of new development going into infill in  
19 their 2011 RTP to 21 percent in the current RPT SCS.

20 Having said that, we do have real concerns about  
21 how the targets are being met. And if future rounds are  
22 to build on progress that has been made so far, it's  
23 essential that ARB clarify the role of passive assumptions  
24 versus action oriented and programmatic strategies in the  
25 language of SB 375 in meeting the targets.

1           For that reason, we strongly support your  
2 decision to do a thorough review of modeling methods and  
3 sensitivities and would welcome a publicly available  
4 report making clear how much of each county's reductions  
5 is -- what portion of each county's reductions is  
6 attributable to active land use and transportation  
7 strategies.

8           Beyond preparing this report, making a decision  
9 about any particular SCS or even updating the targets for  
10 the next round, the single most important thing that you  
11 can do to ensure that the next round of the SCS process is  
12 a success is to make it absolutely clear that the only  
13 legitimate way to meet the targets is through  
14 action-oriented and programmatic land use and  
15 transportation strategies. Thank you.

16           CHAIRPERSON NICHOLS: Thank you.

17           Craig Breon.

18           MR. BREON: Good morning. My name is Craig Breon  
19 representing today the Kern-Kaweah chapter of the Sierra  
20 Club covering Kern and Tulare Counties, but I've also  
21 worked on Fresno, Madera, and Merced.

22           I want to talk about two concepts, transparency  
23 and tangible results. On transparency, the law is clear.  
24 It says that the MPOs are supposed to disseminate  
25 methodology, results, and key assumptions "in a way that

1 would be usable and understandable to the public."

2 Now, we praised Kern when they put out some of  
3 their information as an attempt on transparency. But  
4 they, in fact, got a fairly large backlash it seems from  
5 some of the other MPOs for too much transparency. They,  
6 in turn, have been back-tracking saying that the original  
7 table was not exactly as it read.

8 I want to emphasize that that kind of  
9 transparency, like Fresno turning over their model, is a  
10 good thing. And you should be encouraging the other MPOs  
11 to be doing the same thing.

12 Now the tangible results. SB 375 was considered  
13 to be a compromise law. And I'll use an example from  
14 Tulare county. In the foothills of Tulare County, Boswell  
15 Company is proposing to take a place called Yokohl Ranch,  
16 cattle ranch, and build a new city of 30,000 people, a  
17 completely car-oriented city essentially in the Sierra  
18 foothills.

19 Now, what will the Boswell Company get out of  
20 this law? When their EIR comes forward, they will not  
21 have to look at a reduced scale alternative. They will  
22 not have to look at their greenhouse gas emissions. They  
23 will not have to look at their impact on the regional  
24 transportation network, which could shift considerable  
25 transportation dollars from that private developer onto

1 the public because the private developer doesn't have to  
2 look at their impacts on the regional transportation  
3 network.

4           So developers in certain situations get some very  
5 concrete results. Now what did the communities get on the  
6 other side? They get some much better land use plans.  
7 But as your staff noted, they used a lot of words like  
8 "encourage" and "forecast." We know those lands use plans  
9 are not binding on the local jurisdiction. They could  
10 happen or they could not happen. It will depend a lot on  
11 the advocates here and the many others around the valley  
12 to see if we can try to make those plans a reality. But  
13 the law doesn't require it be a reality.

14           On the transportation side, we've gotten some  
15 significant changes, I would admit. And it is thanks to  
16 many of my colleagues here, many of them who are not here  
17 in the communities and community organizations they  
18 represent, that many of those changes have come about and  
19 it is to their great credit.

20           And you have a role in both of these things. You  
21 and your staff have an important role to play in both  
22 transparency and tangible results. So I urge you to think  
23 of those two terms as you move forward with your staff and  
24 how you can serve the public in that manner. Thank you.

25           CHAIRPERSON NICHOLS: Thank you.

1 Heather Dumais.

2 MS. DUMAIS: Good morning. I'm Heather Dumais,  
3 the San Joaquin Valley Air Policy Coordinator with the  
4 American Lung Association of California.

5 Actually moved to the San Joaquin Valley over ten  
6 years ago to study the dynamic air that we have there.  
7 It's been very exciting to work with the COG over these  
8 past two years on the SB 375 implementation. I  
9 specifically work with Fresno and Kern Counties through  
10 the first round and to engage in the dialog with the COGs  
11 directly on transportation and community development,  
12 which will ultimately lead to the reduction of  
13 wide-ranging health burdens and the greenhouse gases.

14 I'd like to share one quick highlight of our  
15 experience with the valley as a sign of progress. We've  
16 worked very closely with the COGs to more fully integrate  
17 the resources available through their local public health  
18 departments and we're seeing these relationships develop  
19 in a very meaningful way through the SCS process.

20 In San Joaquin and Fresno specifically, the  
21 health departments are going to be engaged in the  
22 implementation process. We appreciate the ongoing  
23 discussion between the ARB and COGs to ensure that the  
24 plans that have been adopted and the form they were  
25 presented during the May Board meetings are fully

1 understood.

2           Many questions still remain in our minds about  
3 the modeling, methodology, and accounting of all the  
4 overall benefits of these plans. We all need a clear view  
5 of whether these plans are meeting the targets and what  
6 role methodologies, modeling, and the assumptions and  
7 planning on doing so.

8           We very much appreciate the coordination going on  
9 with the consultants to test the models. And we really  
10 appreciate the Fresno COG that have provided their model  
11 to CARB for more robust review. We encourage all the COGs  
12 to share their models in such a manner to help speed the  
13 information needed to evaluate these plans.

14           As discussions move later into the summer through  
15 this process evaluating the SB 375 targets, we encourage  
16 the COGs to continue to work to produce thorough scenarios  
17 for what can be achieved within the base line plans  
18 adopted the date.

19           We believe that there will be more work to be  
20 done to answer some of the methodology questions and  
21 modeling capability questions highlighted in the valley  
22 SCS process.

23           We also encourage the Board to provide meaningful  
24 opportunities for public input into the process across the  
25 state.

1           And in conclusion, we believe that getting the SB  
2 375 implementation right is vital to improving public  
3 health, social equality, and a sustainable future. We  
4 look forward to working with you to complete the first  
5 round of the valley plans. Thank you very much.

6           CHAIRPERSON NICHOLS: Thank you.

7           Carey Knecht.

8           MS. KNECHT: Good morning. I'm primarily here  
9 today to thank the Board for continuing this important  
10 discussion. We very much appreciate ARB and the time that  
11 staff and Board members are putting into this important  
12 review of the valley. I believe that this review will  
13 highlight both important challenges and methodology  
14 questions that will be important at a state level as well  
15 as important best practices.

16           I appreciate the presentation today because many  
17 of the COGs have taken important policy steps forward and  
18 I'm pleased to see these highlighted. I'll just flag one  
19 more. Two of the valley COGs have cut road expansion  
20 dollars by approximately one quarter, shifting that money  
21 towards transit and active transportation. And it's  
22 powerful and action-oriented steps like these that are  
23 what we believe SB 375 was designed to promote.

24           At the same time, we know there are many  
25 questions that remain about the modeling and that valley

1 counties are particularly sensitive to things like  
2 inter-regional travel. So we hope that the review will  
3 help address those questions and highlight what portion of  
4 the GHG reductions does come from land use and  
5 transportation policy.

6 I also would ask that ARB begin and have greater  
7 attention to a discussion about the regions in the valley  
8 that are not currently planning to meet the targets.  
9 Alternative planning strategies are an essential part of  
10 this process and ask COGs to answer certain questions.  
11 When they can't meet the targets, what are the major  
12 challenges preventing them from meeting the targets and  
13 what would it take to meet the targets? I hope that ARB  
14 will help increase the public access to these  
15 conversations, because as we all heard last time and as  
16 the Board so wonderfully echoed, what this is really about  
17 is improving life for people and communities throughout  
18 the valley, including the half million residents in Merced  
19 and Madera Counties. Thank you.

20 CHAIRPERSON NICHOLS: Thank you.

21 Mr. Magavern.

22 MR. MAGAVERN: Good morning. Bill Magavern with  
23 Coalition for Clean Air with a few brief comments.

24 I thought that you had an excellent discussion a  
25 couple months ago on this topic and that what emerged most

1 strongly from that was a recognition that there need to be  
2 changes in transportation and land use planning and that  
3 that is where the greenhouse gas emissions need to come  
4 from. That after all is what SB 375 is all about. And  
5 that's why when we see plans that assume that the targets  
6 will be met through increases in gas prices or a slow  
7 economy and we say, no, that that's not in compliance with  
8 SB 375. We need to have those action-oriented strategies  
9 that bring into compliance through changes in  
10 transportation and land use planning.

11 And so I think today we're continuing that  
12 discussion. And we urge you to continue to exercise close  
13 scrutiny over those parts of the plans and to make sure  
14 that the targets are being met, not through assumptions  
15 but through actual strategies.

16 Secondly, we urge you to pay close attention to  
17 environmental justice and social justice and tangibly I  
18 think that means, for example, making sure that these  
19 changes give greater access to public transit for  
20 transit-dependant communities.

21 An example I would say would be the bus rapid  
22 transit line that Fresno was planning and that we  
23 advocated for. And another example would be building  
24 affordable housing near transit. And I would note that in  
25 this year's budget, the Legislature and the Governor

1 decided to fund both of those priorities as part of the  
2 spending that comes from the AB 32 revenues that are  
3 coming in through the cap and trade program.

4 And finally, I'll note a connection between this  
5 item and your second agenda item because like the low  
6 carbon fuel standard, a successful implementation of SB  
7 375 will reduce our dependence on oil. Thank you.

8 CHAIRPERSON NICHOLS: Thank you.

9 Liz O'Donoghue.

10 MS. O'DONOGHUE: Good morning. I'm Liz  
11 O'Donoghue with the Nature Conservancy.

12 First, I want to thank the COGs for their work on  
13 the SCSs. It's a significantly difficult shift and work  
14 and focus to achieve our climate goals and achieve the  
15 critical co-benefits, including preserving and protecting  
16 important natural resources, farms, and ranches. And so I  
17 know it's really been a difficult time. So I want to  
18 thank the COGs for all the work they've been doing.

19 Second, I want to urge the Board really to look  
20 at and investigate how the targets are being met with the  
21 focus on land use and transportation strategies. I'm just  
22 echoing what others have said before me. There has been  
23 significant progress through this first round to achieve  
24 the vision that the public desires, the market demands,  
25 and to meet our climate goals. But more can be done.

1           If you read the SCSs not only in the San Joaquin  
2 Valley but really around the state, there's always a focus  
3 and a highlight on protecting co-benefits, including  
4 important conservation lands, farmlands, ranches, water,  
5 habitat. But when you actually dig into it, you try to  
6 take a look at what strategies are being promoted to  
7 protect that and to really engage that as part of a  
8 significant sustainable communities land use strategies.  
9 And there are often very thin. So what we struggle with  
10 is the talking points are very good and the messages are  
11 good. But when you dig into it, you really want to see  
12 tangible strategies that achieve those co-benefits.

13           So I urge the Board to continue its rigorous  
14 review to ensure that all MPOs meet their targets through  
15 land use and transportation strategies. I think the  
16 presentation this morning was really helpful and  
17 important. And I really look forward to continuing to  
18 work with you and staff on achieving the vision that SB  
19 375 promotes. Thank you.

20           MS. WISE: Good morning. I'm Ella Wise from the  
21 Natural Resources Defense Council. Thank you for your  
22 time and ongoing work.

23           I want to thank ARB staff for responding to the  
24 Board's concerns voiced at the May 22nd meeting. We are  
25 grateful for the staff's rigorous assessment of modeling

1 methods.

2 We also want to thank Kern County for their  
3 effort to be as transparent as possible by originally  
4 releasing the Figure 4-7, which was thoroughly discussed  
5 at the last meeting, estimating how the targets were being  
6 achieved. And we want to congratulate the COGs on all the  
7 impressive hard work.

8 I do have a few concerns. Firstly, it seems that  
9 there are two parts to the determination of whether the  
10 emissions reductions in the plans being assessed are  
11 acceptable. The first question is are the models  
12 sensitive and their results accurate. For example, is it  
13 true that most of the emissions reductions in Kern County  
14 are from assumed fuel cost increases, not changes to  
15 transportation and land use as the plan states? ARB is  
16 doing an admirable job of getting to the bottom of this  
17 question about model sensitivity and accuracy of results.

18 However, there is a second part to assessing  
19 whether these plans achieve the targets. If the results  
20 are accurate and the targets are being achieved are the  
21 ways in which the targets being achieved acceptable? This  
22 requires clarification of the role of assumptions rather  
23 than action-oriented strategy as language of SB 375 calls  
24 for in achieving emissions targets.

25 For example, if it's true that the targets are

1 being achieved due to assumptions, not action-oriented  
2 strategies, is that okay? I understand that the model  
3 assumptions and strategies are interrelated and together  
4 effects travel patterns. But both MPOs and stakeholders  
5 need direct and definitive clarification about that  
6 relationship and the role of assumptions in achieving  
7 targets.

8 Both of these questions are not only important in  
9 upholding the integrity of the law and informing the MPOs  
10 next steps, but they have great implications on the  
11 discussion of target setting for the next round.

12 My second point is that the alternative planning  
13 strategies in the state are -- the first alternative  
14 planning strategies in the state are being developed and  
15 setting important precedent. We ask that ARB highlight  
16 and direct technical support to these planning efforts in  
17 Merced and Madera. And also as has been said, we want to  
18 reiterate that all of our efforts here are not ultimately  
19 about tinkering with models, but about mitigating climate  
20 change and helping communities achieve co-benefits of  
21 improved public health, greater accessibility. Thank you  
22 again for your work.

23 MS. GARIBAY: Good morning. My name is Veronica  
24 Garibay. I'm with the Leadership Counsel for Justice and  
25 Accountability based in Fresno. We have been engaged in

1 the SB 375 implementation process in primarily four of the  
2 MPO areas: Kern, Tulare, Fresno, and Merced.

3 We've been engaged since the COGs first started  
4 talking about whether or not they would meet the targets.  
5 That process started about three years ago. And since  
6 then, we have worked in coalition with many of the  
7 advocates who are here today, many of partners, but also  
8 in close partnership with community residents that stand  
9 to be impacted by land use and transportation policy in  
10 the future. We've engaged them every step of the way to  
11 make sure that they have a voice in the process and that  
12 this process actually benefits their communities in the  
13 long run.

14 First, I'd like to thank ARB for their tremendous  
15 amount of work and also the MPOs that are here today for  
16 the tremendous amount of work they have done. We  
17 witnessed it. We've been at every Committee hearing at  
18 every policy Board meeting in about five counties. That's  
19 a lot of work. So we recognize all of the efforts that  
20 have gone into this process.

21 As many of my colleagues have already mentioned  
22 and have asked you to do, we ask that you conduct a  
23 comprehensive and rigorous review of GHG reduction  
24 strategies in the SCSs themselves to make sure that they  
25 are legitimately meeting the targets and that we are doing

1 this through land use and transportation policy as SB 375  
2 calls for.

3           As you know, the law requires that all the  
4 strategies be action oriented and pragmatic and what we  
5 ask is that you really look into in your review. And in  
6 addition to that, we also ask that when you're looking at  
7 the reduction strategies, that you make sure that some of  
8 them are not negatively impacting low income communities  
9 and environmental justice communities and that the  
10 benefits of actually meeting the targets reach all of the  
11 communities and all of the areas.

12           Earlier in the presentation, you talked about  
13 examples of some of the work that's already been done in  
14 the large metro areas like Stockton, Fresno, Bakersfield,  
15 and other areas, BRT, affordable housing, higher density  
16 housing is going in. We ask that you really think about  
17 what does this mean for Delano? What does this mean for  
18 Shafter? What does this mean for McFarland? What does  
19 this mean for Arvin? What does it mean for south Shafter,  
20 for LaMonte, for Greenfield, for Visalia, Tulare, all of  
21 these smaller cities that do not -- are not large metro  
22 areas. What does this really mean for them and making  
23 sure that land use and transportation policies also  
24 benefit those areas?

25           And again, we are working very closely right now

1 with the Merced County Association of Governments. Merced  
2 and Madera are preparing the first APSs in the state of  
3 California and we ask that you work closely with them and  
4 monitor that progress. Merced's draft RTP and EIR  
5 currently state that the APS does not have to be  
6 realistic. That's a problem. We ask that you really look  
7 at what they're doing.

8           Finally, I'd like to stress the importance of  
9 co-benefits. This isn't just about climate change and  
10 meeting the GHG reductions. This is good economic  
11 development. This is about public health. This is about  
12 closing the income disparities in our region. Thank you.

13           MR. CAMPOS: Good morning, Board. Cesar Campos.  
14 I'm with Central California Environmental Justice Network.  
15 I'm the coordinator.

16           We've been engaged in primarily Fresno and Kern  
17 Counties through this process. We want to thank CARB and  
18 the COGs have done a lot of work through this process.  
19 They mentioned earlier this is a very experimental  
20 process. That has been seen. The intent of SB 375 is  
21 really to incentivize forward thinking and coherent  
22 transportation and land use decisions. I really ask when  
23 you are scrutinizing -- and I really mean scrutinizing all  
24 of these plans that you sort of scrutinize and let the  
25 public know how much of the reductions, what portion of

1 the reduction is also and sole related to tangible land  
2 use and transportation planning. I think that's the first  
3 step.

4           And I didn't see this in the measures, but I  
5 think that one thing that the staff should focus on is to  
6 really create a measure that scrutinizes what strategies  
7 is presented to the Board, places disproportionate burden  
8 on low income, minority, and environmental justice  
9 communities. As you all know, it is illegal for CARB to  
10 accept and legitimize any strategies this yields an unfair  
11 burden on any minority population. And I'd really like to  
12 see that as a public member what kinds of strategies are  
13 actually doing that.

14           There's one in Kern County that talks about  
15 rising price of fuel. That is expected to yield, at least  
16 in my opinion, yield unfair burden on populations of low  
17 income that will not be able to keep up with those rising  
18 prices of gas.

19           I think within all of the COGs you should also  
20 try to find strategies that could be applied to each and  
21 every single COG. For example, in Fresno, we were able --  
22 we're successful in getting a strategy that gives grants  
23 to low income jurisdictions and to smaller jurisdictions  
24 that they can even use to apply for and conceptualize  
25 projects. That is something that I think should be asked

1 of all COGs because it really gets down to all of the  
2 little small towns that my colleague mentioned prior.

3 Finally, as you are considering updating these  
4 targets, I really hope that you take into account the  
5 scrutinized versions of the targets that the COGs are  
6 actually meeting with land use and transportation planning  
7 and to use those numbers as a base line for moving forward  
8 with the targets.

9 As I mentioned before, this has been a very  
10 experimental process. And we'd really like to see what we  
11 learn from this first round applied in further rounds to  
12 come. Thank you.

13 BOARD MEMBER DE LA TORRE: Thank you.

14 With that, we'll close the public comment.

15 My colleagues have any thoughts? I'll start over  
16 here on my left. John.

17 BOARD MEMBER GIOIA: Thank you, Mr. Acting Chair.

18 Thanks for the presentation. As one who is  
19 involved with the SCS development in the San Francisco Bay  
20 Area, I know how challenging it is to bring together so  
21 many stakeholder groups and try to come up with a plan.  
22 There's always a lot of controversy, a lot of balance.

23 The one thing that strikes me, it's unclear to  
24 me -- I didn't see the identified GHG reduction that  
25 occurs. I know each region came up with goals. And could

1 you just briefly itemize what those are by region, what  
2 the GHG reduction targets are associated with each of  
3 these SCSs?

4 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

5 SECTION MANAGER ROBERTS: I can answer that. For each of  
6 the individual MPOs, there are eight -- they have  
7 greenhouse gas reduction targets of five percent per  
8 capita reduction by 2020 and ten percent per capita  
9 reduction by 2035.

10 BOARD MEMBER GIOIA: How does that compare with  
11 other regions around the state?

12 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

13 SECTION MANAGER ROBERTS: For the four largest MPOs in the  
14 state of California, that includes SANBAG, SCAG, SACOG,  
15 and Bay Area. Their targets were -- I'm just giving you a  
16 range here. For 2020, it was in the range of seven to  
17 nine percent reduction. And for 2035, it was in the 13 to  
18 15, 16 percent range.

19 BOARD MEMBER GIOIA: Right. That's one of the  
20 issues I know each region has certainly defined this  
21 differently. And also frankly a lot of the population  
22 growth will be occurring in the Central Valley, many of  
23 these communities.

24 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

25 SECTION MANAGER ROBERTS: If you'd like me to respond to

1 that.

2 In the main presentation, we will talk about the  
3 proportion of the state's population that exists in the  
4 San Joaquin Valley now. And what it's projected to be in  
5 the future. I think right now the San Joaquin Valley  
6 population as a group of eight counties is about ten,  
7 eleven percent of the state's population. And by 2035,  
8 it's projected to represent about 15 percent of the  
9 state's total population.

10 BOARD MEMBER GIOIA: I know different regions  
11 identify various other major goals. How did the issue of  
12 co-benefits -- there's detailed here get identified as a  
13 priority in these particular plans?

14 SUSTAINABLE COMMUNITIES POLICY AND PLANNING  
15 SECTION MANAGER ROBERTS: In the San Joaquin Valley SCSs,  
16 they recognize and discuss the issue of air quality and  
17 public health in their SCSs. That's one of the areas  
18 where they're hoping that the SCS strategies will make  
19 some improvements in that area of public health.

20 But also in the San Joaquin Valley, all of them  
21 recognize the importance of agriculture, the agricultural  
22 industry, agricultural land being a very valuable  
23 resource. So many of the San Joaquin Valley MPOs,  
24 preservation of agricultural land was a big motivator in  
25 establishing some of these land use policies to keep

1 growth of their communities more compact.

2 BOARD MEMBER GIOIA: Without seeing the specifics  
3 in the plans, what's the view about how effective  
4 implementation of these plans will be in terms of really  
5 carrying them out. And ultimately it involves changing  
6 general plans of local cities and county, which of course  
7 is the next step. And what are you seeing with regard to  
8 the ability to implement how and what action cities and  
9 counties are taking?

10 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

11 SECTION MANAGER ROBERTS: As with new MPO and any SCS, it  
12 really does depend on public support for the plan and very  
13 close collaboration between the MPO and the cities and  
14 counties as they develop a plan to ensure that what goes  
15 into the SCS is something that the local governments  
16 aren't able and willing to implement. But it really does  
17 come down to local land use decisions because the MPOs  
18 cannot force a city or county to follow these policies.

19 But I would like to say that for some of the  
20 MPOs, as we've gotten a better understanding of their SCS  
21 development process, we know that they sat down with  
22 individual city and county staffs to look at their general  
23 plans and talk about where could you move in the future.  
24 Where could this land use policy at the local level --  
25 where could it move in the future? And the regional SCSs

1 reflected those long-term views of the cities.

2 BOARD MEMBER GIOIA: I note in the San Francisco  
3 Bay Area, there is an attempt to try to link some regional  
4 funding transportation funding to implementation of the  
5 plan by jurisdictions to try to incentivize the  
6 implementation. Is that part of the plan here in the San  
7 Joaquin Valley? Is there an attempt to try to link  
8 regional transportation funding to jurisdictions that, for  
9 example, accommodate particular types of growth?

10 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

11 SECTION MANAGER ROBERTS: On the issue of funding  
12 incentives, it really is a matter of resources available  
13 to the MPO and to the region.

14 In the San Francisco Bay Area, there are sources  
15 of funding that are available in the Bay Area that are not  
16 available in the San Joaquin Valley to create those pots  
17 of incentive money. However, through the types of  
18 projects, transportation and active transportation  
19 projects that are programmed in the SCS, that sets those  
20 projects up for, if you will, sort of priority in getting  
21 the funding that comes to the MPO.

22 BOARD MEMBER GIOIA: Thanks. My general feeling  
23 on all this is it really does take incentive funding to  
24 get jurisdictions to move in this direction, just having a  
25 plan in and of itself, having been in Association of Bay

1 Area governments for 15 years, it's just that's just the  
2 way it works. And even then, it's hard.

3 So for me what would be useful as we go through  
4 this is we see as this moves forward how this linkage  
5 occurs. I think one way is to the extent that MPOs get  
6 cap and trade revenue, that can be linked. Have they had  
7 any discussion about how to spend potential cap and trade  
8 revenue that the region may receive? Because that's a  
9 perfect opportunity to link this. If not, they're not  
10 really -- it seems to me -- as effective or serious in  
11 trying to figure out how to implement it.

12 SUSTAINABLE COMMUNITIES POLICY AND PLANNING  
13 SECTION MANAGER ROBERTS: Those discussions are just  
14 beginning with the Strategic Growth Council on how to  
15 allocate the --

16 BOARD MEMBER GIOIA: I get that. No, that I  
17 understand.

18 What the Bay Area did was say to the extent we  
19 receive cap and trade revenue and there were certain  
20 assumptions -- and I think the assumptions were probably  
21 high about how much cap and trade revenue the region would  
22 get. But to the extent they receive cap and trade  
23 revenue, it would go to particular strategies to help  
24 implement the plan. Did that discussion occur in any of  
25 these SCS development plans?

## 1 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

2 SECTION MANAGER ROBERTS: I personally am not aware of  
3 those sorts of discussions having taken place. That's not  
4 to say they have not.

5 BOARD MEMBER GIOIA: It seems to me that's a  
6 perfect -- of course, that's the discussion that the  
7 Strategic Growth Council, you're right, may have that  
8 discussion and could actually link the funding to  
9 particular strategies that ultimately achieve  
10 implementation of the plan and associated reduction in  
11 GHGs. Right. So even if the region didn't on its own  
12 talk about it, the Strategic Growth Council could link  
13 back. It seems to me that's really important.

14 CHAIRPERSON NICHOLS: Next.

15 BOARD MEMBER SERNA: So like Supervisor Gioia, I,  
16 too, was very involved in the Sacramento region's SCS, the  
17 development of that. And at the same time, general plan  
18 update in the county of Sacramento. So I think I  
19 understand quite a bit about the relationships between  
20 certainly the exercise of local land use authority and the  
21 SCS and how that indirectly or directly may influence  
22 hopefully local jurisdiction's perspective on land use  
23 planning and transportation and linking them more closely.

24 After hearing the testimony and certainly  
25 recalling the last time this Board heard from the San

1 Joaquin MPOs and some of the challenges -- the continuing  
2 challenges they face in terms of the modeling, it occurs  
3 to me that are we taking advantage or promoting the  
4 exchange of information, lessons learned from those MPOs  
5 that have already concluded their SCS work, the sharing of  
6 different modeling techniques? And are we doing that here  
7 at ARB or are we promoting it from this agency? Are we  
8 working through OPR? Are we working through CalCOG to  
9 make that happen? What is the condition of the attempt to  
10 not reinvent in wheel?

11 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

12 SECTION MANAGER ROBERTS: There is that kind of effort  
13 going on at many different levels. I would say one of the  
14 benefits of SB 375 has been that broad dialogue across  
15 MPOs to share best practices, to share lessons and to  
16 mentor and help each other actually.

17 There is a group hosted by CalCOG. It's MPO  
18 State Agency Working Group. ARB participates in that.  
19 And there was a subcommittee of that group, which is the  
20 technical modelers. So the meetings of the subcommittee  
21 of modelers really is an opportunity for modeling staffs  
22 from all of the MPOs to get together, share their  
23 experiences, share best practices, and work together as a  
24 group.

25 We also know that on a one-to-one basis the

1 modelers in the San Joaquin Valley are talking to the  
2 modelers in the Bay Area, as well as SCAG region. Kern  
3 and SCAG share a boundary. So there is discussion among  
4 the staffs of those two MPOs and there is discussion.  
5 There is a sharing of information.

6 BOARD MEMBER SERNA: Good. That's good to hear.  
7 To the extent that we can continue to help promote that I  
8 think it's in our best interest.

9 CHAIRPERSON NICHOLS: Thank you.

10 Any other comments? Yes, Ms. Mitchell.

11 BOARD MEMBER MITCHELL: Thank you. Like  
12 Supervisor Serna and Gioia, I also have the experience of  
13 sitting on the regional council for SCAG and working on  
14 the MPO for that region. And it's a daunting task. I  
15 congratulate all of the people that have worked on it,  
16 because it is difficult and congratulate Ms. Roberts on  
17 the work that she's doing because it is challenging.

18 One reason it's challenging is because it's new.  
19 It's new to all of us. And each region is different from  
20 another region. And in the San Joaquin Valley, you have  
21 eight separate MPOs. And we're working together to try to  
22 have a plan that works for that whole region. So I think  
23 your challenges are significant.

24 I know in the SCAG Regional Council that the  
25 people that sit on that council are supervisors and local

1 elected officials. And when SB 375 was developed, in my  
2 opinion, that was significant because each of them  
3 represent the planning agencies of the local agency that  
4 they sit on. And they are responsible for bringing the  
5 overall plan of the SCS to their local agency to begin  
6 implementation. So those concerns about whether there  
7 will be a reality to the plans that are being developed in  
8 my opinion go through that process. There is  
9 representation in every MPO for the local agencies that  
10 have to do the implementation. And for those who have  
11 concerns about that, you need to reach out to both local  
12 elected because they are the ones that are in the end  
13 responsible for implementing what is planned.

14 I also want to mention that the Strategic Growth  
15 Council at a conference that I attended a week ago  
16 announced that they will be developing -- how would I say  
17 this -- models for general plans. And one of the  
18 challenges I think for local agencies is updating your  
19 general plans. Most of these local agencies don't have  
20 money to do it. And yet, this is going to be necessary in  
21 implementing the strategic growth plan that is developed  
22 through the MPO. So I urge local agencies to look into  
23 that. And that's coming up. There will be money  
24 available for updating general plans, and there will be  
25 model plans developed by the Strategic Growth Council that

1 local agencies can look to as a starting point.

2 So I think the communication again is one of the  
3 key things here. There has to be good communication  
4 between all the stakeholders, the local elected officials,  
5 the technical staff, the planning staffs to get this job  
6 accomplished. And I think you've made significant  
7 progress.

8 In the valley, I really like to see  
9 revitalization of the downtown areas in all these cities,  
10 a focus on infill, and then preservation of the ag land  
11 rather than development that is sprawling out into your ag  
12 land. To condense that closer to the footprint of the  
13 city is really key to having a plan that I think carries  
14 out the intent of SB 375, which is to link where people  
15 live with where they work so that they aren't traveling  
16 long distances and we can reduce vehicles miles traveled.

17 Also I think it's good we've seen the emphasis on  
18 transit on money going into public transportation. That's  
19 key as well as to reduce vehicles miles traveled and get  
20 people from where they live to where they work.

21 So I look forward to seeing all of you back here  
22 again in October whenever to give us the latest updates.  
23 But congratulations on hard work. And I urge you to  
24 continue working and communicating on what is being  
25 developed. Thank you.

1           CHAIRPERSON NICHOLS: Thanks.

2           Dr. Sperling.

3           BOARD MEMBER SPERLING: So I would also like to  
4 acknowledge that it does look like there is good progress  
5 being made, both by the COGs as well as by ARB in several  
6 fronts here. So I'm pleased to see that. I'm  
7 disappointed we're not hearing from the COGs or any of the  
8 local decision makers, which kind of makes me a little  
9 apprehensive perhaps about the process. Maybe there is a  
10 good explanation for it.

11           But let me give a little preamble here, and then  
12 I have some important points I want to make. And that  
13 first of all, just to summarize, kind of articulate, what  
14 a few people have been saying is that this SB 375 is the  
15 sustainable communities and Climate Protection Act. And I  
16 think that most of us that actually look at this  
17 carefully, we understand as well as of course the local  
18 communities that the greenhouse gas reduction is not the  
19 top priority for these communities.

20           But what we've also come to appreciate -- and I  
21 think this really happened in the SCAG area where it was  
22 really eye-opening experience that we had in early years  
23 of this -- is that the strategies to achieve these climate  
24 goals are almost exactly the same strategies that one  
25 would pursue for a whole realm of other goals that are

1 important to the local communities: Reducing  
2 infrastructure cost, improving access for everyone,  
3 including low income people, affordable housing,  
4 preservation of ag land and so on.

5           So why I've become so committed to understanding  
6 and supporting SB 375 is that it provides a framework for  
7 communities and regions to do what they want to do anyway.  
8 And that's what happened at SCAG. When we started at  
9 SCAG, you know, the Board there was -- I would  
10 characterize ranged anywhere from ambivalent to hostile to  
11 this whole process.

12           But after a couple years, you know a year or two  
13 with a lot of outreach by the COG -- by the SCAG staff  
14 there we played a really important role in talking to the  
15 local decision makers, talking to the politicians they  
16 came to appreciate what I just said, that this really is  
17 what they want to do anyway and it supports them in those  
18 goals.

19           So the goal is good planning, good investments,  
20 good decision making. And the goal is not good studies.  
21 So that's another point I want to emphasize. A few people  
22 have kind of referred so they want to see actionable --  
23 real actions. And I do want to caution though that as  
24 we -- like some of us like to say is if you can't measure  
25 it, you can't manage it. So these models and these

1 analysis are important because they are what we need to  
2 develop the metrics to measure progress and so on.

3           And so in the end, it is providing a framework.  
4 And as Supervisor Gioia said earlier, the real goal here  
5 probably from the -- or one of the important parts of this  
6 process is that 375 provides that framework for attracting  
7 more money for creating incentives, because that's how  
8 this is going to happen. Sticks are not going to work.  
9 Local communities don't have the funds. But carrots will  
10 work. So the cap and trade revenues are one thing.

11           Also going forward is restructuring some of the  
12 transportation formulas. We now have a good mole in  
13 Caltrans that can maybe help us that we learned about  
14 yesterday. One of our staff moved over to Caltrans to  
15 head up their sustainability efforts. But I think  
16 everyone is starting to think along those lines. I'm  
17 encouraged. It's thinking about creating the funding to  
18 do what's good for the communities. So now that was just  
19 kind of preamble summarizing.

20           But there is one thing that really concerns me,  
21 even disturbs me about everything I've hear heard here  
22 from the ARB staff and even from the NGOs. And that is  
23 this strong focus on transit. Transit is good. But we  
24 are talking about communities that have relatively low  
25 density, even cities like Fresno. If you put

1 conventional -- and I'll say conventional transit, if you  
2 invest your money in conventional transit, it's going to  
3 be hugely expensive. It's going to get relatively small  
4 benefits.

5           Times have changed. We need a much more  
6 innovative approach to moving people. And conventional  
7 transit is very -- has very limited potential for  
8 achieving these goals that we're talking about and in a  
9 very expensive way. We need much more creative thinking  
10 about innovative mobility solutions. So even -- so back  
11 up. BRT, that really made me nervous, because BRT is  
12 really intended for high density travel corridors. If you  
13 start putting money -- rail transit, of course, makes the  
14 least sense in these metropolitan areas. But BRT is not  
15 necessarily -- at least conventional BRT is not  
16 necessarily a very effective strategy either.

17           And it certainly -- transit is part of it. I  
18 don't want to be dissing transit completely. Conventional  
19 transit plays some role. But we need much more innovative  
20 approaches. So we have -- so there is all kinds of  
21 companies starting to arise now that are doing different  
22 kinds of carpooling services that there's services that  
23 you probably heard of Uber and Lift and Sidecar. There is  
24 a number of others. And they started out being kind of  
25 taxi type services, but they're expanding beyond that.

1 And in fact, these kinds of services might be far more  
2 effective in these local communities than anything we're  
3 going to -- certainly than the same amount of money you  
4 would put into transit.

5           So we have these kinds of innovative services.  
6 You have bike sharing. We have small vehicles could be  
7 used in a lot of these communities. And so there is a lot  
8 of planning, thinking, incentives that can be used to  
9 provide access to lower income people, all people, but  
10 including lower income people that will be much cheaper  
11 than owning a car and much cheaper even than the community  
12 putting a lot of money into transit.

13           And one idea might be just looking at some of  
14 these companies and saying, you know, maybe we should do  
15 some small amount of subsidies, do an RFP for some of  
16 these companies that they can provide these services at a  
17 low cost. And so I just want to emphasize. So I heard  
18 all these things about high quality transit and transit  
19 and so on and so I just really, really encourage them.

20           So one example I would give people look at -- my  
21 home town of Davis, people look at it it's got all this  
22 bicycle use. It didn't just happen spontaneously. It  
23 happened over a period of time. It used to be Davis was a  
24 car city also. But over time, there was a lot of focus on  
25 building. First, it was little bike lanes. And then they

1 gradually built up a whole network. These are communities  
2 where biking and so-called active transit transportation  
3 makes huge sense. And there is a lot of opportunities to  
4 do that. And I would make say that should be a much  
5 higher priority.

6 As a last note, I'm associated with the National  
7 Center on Sustainable Transportation headquartered out of  
8 U.C. Davis. And I would volunteer them to the COGs and  
9 the local governments to help with some of these  
10 innovative ideas and to think about how this might happen.  
11 And so I'm not quite sure how to operationalize that  
12 offer. But you know, we've -- some of the staff have  
13 helped with some of the modeling. I'm talking not about  
14 the modeling, but actually thinking through what are these  
15 creative options. I know some of the NGOs -- NRDC is  
16 starting to get very involved in thinking about these  
17 kinds of innovative mobility solutions also. So I think  
18 there can be help from some of the NGOs as well.

19 CHAIRPERSON NICHOLS: Having visited your shop  
20 out there in Davis, I would say you could start off by  
21 inviting people to come by. Maybe give them a cup of  
22 coffee and have a conversation. That would be great.

23 BOARD MEMBER SPERLING: I will. We will set up  
24 some kind of workshop or some kind of discussion  
25 specifically for the valley MPOs and local decision

1 makers, if you're interested.

2 CHAIRPERSON NICHOLS: I don't think people are  
3 compelled to attend. I think that's a great offer. It's  
4 not a Board resolution. No action is being taken here  
5 officially today.

6 Are there other Board members who wanted to  
7 comment on this item before we draw it to a close?

8 I apologize I had to step out of the room for a  
9 few minutes. But there was one thing I thought -- I think  
10 it really builds on Dan Sperling's comment on what I heard  
11 from the community people who came today to testify on the  
12 NGOs who have been working so hard on this. That was a  
13 suggestion that we needed to look closely at the  
14 assumptions that are going into these plans and that we  
15 had to be very clear that only strategies that in some  
16 sense required or mandated land use and transportation  
17 investments and plans would be acceptable under SB 375.

18 I just wanted to comment that all of the plans  
19 that we've looked at have assumptions in them about what  
20 is happening in the market. And it would be foolish not  
21 to take advantage of changes that are happening in  
22 people's attitudes about where they want to live and how  
23 they want to get around and not to say that we should  
24 simply accept any assertion that's made simply because  
25 it's on a piece of paper. But I think there is a lot of

1 information out there about demographic trends, about  
2 employment trends, education trends and all of that, which  
3 we should take advantage of. And if it's working in the  
4 direction of more sustainable communities, indeed, we  
5 should be building on that and supporting it. So I wanted  
6 to make sure that didn't just go unresponded to.

7 I would agree that probably relying on rising gas  
8 prices to change behavior is not a very good strategy, if  
9 that is, in fact, a strategy. But people's attitudes  
10 about how much they want to spend on gas versus other  
11 things is a legitimate strategy I think. So with that --

12 BOARD MEMBER GIOIA: Just a question without sort  
13 of getting into the whole aspects of high speed rail. I  
14 mean, there are clearly many who believe that effectively  
15 implementing high speed rail could result in changed  
16 development patterns in the Central Valley in ways that  
17 could be beneficial. So has that issue come up? In other  
18 words, having development occur clearly much more high  
19 density development around rail stations. Did that come  
20 up in any of the discussions? Without commenting one way  
21 or the other about high speed rail, is that development  
22 patterns change dramatically, which is sort of what  
23 happened in Taiwan with their high speed rail project from  
24 the north to south part of the island about development  
25 around these stations.

## 1 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

2 SECTION MANAGER ROBERTS: Several of the Valley MPOs do  
3 have high speed rail stations planned in them. And their  
4 RTP SCSs do acknowledge that. There are some investments  
5 being made at some of these stations to actually build the  
6 station and enhance the station so it is ready for high  
7 speed rail when it comes.

8 BOARD MEMBER GIOIA: But to the extent if high  
9 speed rail does happen, have they planned out  
10 development -- focusing development around the rail  
11 station? High density development job centers,  
12 residential development around the rail stations?

## 13 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

14 SECTION MANAGER ROBERTS: That is one of the things that's  
15 acknowledged in these SCSs. But as I said, they're only  
16 some stations, Bakersfield, Fresno, not every MPO county  
17 is going to get --

18 BOARD MEMBER GIOIA: But to the extent in those  
19 areas they've -- this is part of the strategy, having high  
20 density around those rail stations.

## 21 SUSTAINABLE COMMUNITIES POLICY AND PLANNING

22 SECTION MANAGER ROBERTS: Yes. Yes.

23 CHAIRPERSON NICHOLS: Thank you very much. It  
24 was an excellent report and really is encouraging. We're  
25 looking forward to the next chapter. Thanks everybody.

1           We'll take a very short break to shift the cast  
2 of personnel here as we move from sustainable communities  
3 to low carbon fuels.

4           (Whereupon a recess was taken.)

5           CHAIRPERSON NICHOLS: The last item for this  
6 meeting is an informational update on the proposed  
7 re-adoption of the low carbon fuel standard, which the  
8 Board expects to hear at a future Board meeting. I've  
9 asked staff to provide this presentation to help us all  
10 better understand the current status of the low carbon  
11 fuel standard.

12           Again, this is an informational item intended for  
13 the Board's benefit. It's not intended as a way of  
14 soliciting comment as part of the formal 45-day comment  
15 period for the low carbon fuel standard re-adoption rule  
16 making because this hasn't occurred and obviously we will  
17 be soliciting and relying on stakeholder comment as we go  
18 through that process. But for the moment, we're just  
19 getting an update on where we are with implementation.

20           Mr. Corey, will you please introduce this item?

21           DEPUTY EXECUTIVE OFFICER COREY: Yes, thank you,  
22 Chairman.

23           As background, the low carbon fuel standard  
24 regulation is intended to reduce the carbon intensity of  
25 transportation fuels used in California by at least ten

1 percent by 2020. Reducing carbon intensity will reduce  
2 greenhouse gas emissions and support the development of  
3 cleaner fuels with the intent of co-benefits.

4 Low carbon fuel standard is a key part of a  
5 comprehensive set of programs in California to reduce GHG  
6 emissions from transportation by improving vehicle  
7 technology, reducing fuel consumption, and increasing  
8 transportation mobility options.

9 The Board approved the low carbon fuel standard  
10 regulation in April 2009 and amendments to the regulation  
11 in 2011. So it's been nearly five years since the Board's  
12 original action. And the core principles of the low  
13 carbon fuel standard regulation remain valid.

14 The basic framework of the current low carbon  
15 fuel standard, includes the use of life cycle analysis,  
16 the low carbon fuel standard credit market, and the low  
17 carbon fuel standard reporting tool, among other aspects  
18 all of which are working.

19 In response to State Appeals Court decision  
20 regarding procedural issues associated with the original  
21 adoption, staff will propose that the Board readopt the  
22 low carbon fuel standard regulation in the January 25  
23 Board hearing. Additionally, staff is developing a suite  
24 of amendments to provide a stronger signal for investments  
25 in and production of the cleanest fuels, offer additional

1 flexibility, update critical technical information, and  
2 provide for improved efficiency and enforcement.

3 Staff has already conducted eight public  
4 workshops this year and numerous meetings and discussions  
5 with regulated and interested parties to help develop  
6 these amendments. And staff will continue to work with  
7 stakeholders as we develop the recommendations for the  
8 Board.

9 And with that, I'll ask Katrina Sideco to give  
10 the staff presentation. Katrina.

11 (Thereupon an overhead presentation was  
12 presented as follows.)

13 AIR RESOURCES ENGINEER SIDECO: Thank you, Mr.  
14 Corey.

15 Good morning, Chairman Nichols and members of the  
16 Board. We are pleased to have this opportunity to provide  
17 an informational briefing today on the low carbon fuel  
18 standard, or LCFS.

19 --o0o--

20 AIR RESOURCES ENGINEER SIDECO: In today's  
21 presentation, we will first provide a brief history of the  
22 LCFS, including its original adoption, why it was  
23 established, and its basic requirements. Then we will  
24 discuss the current status of the LCFS before describing  
25 the proposed re-adoption and likely amendments. We then

1 conclude with a proposed time line for this rulemaking.

2 --o0o--

3 AIR RESOURCES ENGINEER SIDECO: The Board  
4 approved the LCFS regulation in 2009 to reduce the carbon  
5 intensity, or CI, of the transportation fuel used in  
6 California by at least ten percent by 2020 from a 2010  
7 base line. CI is a measure of the greenhouse gas or GHG  
8 emissions associated with the various production,  
9 distribution, and consumption steps in the life cycle of a  
10 transportation fuel. The LCFS is one of the key AB 32  
11 measures to reduce greenhouse gas emissions in California.

12 The LCFS also has other significant benefits that  
13 are sometimes overlooked. It transforms and diversifies  
14 the fuel pool in California and reduces petroleum  
15 dependency, which are two state priorities that precede  
16 the LCFS.

17 --o0o--

18 AIR RESOURCES ENGINEER SIDECO: The LCFS is  
19 designed to reduce GHG emissions in the transportation  
20 sector, which is responsible for about 40 percent of  
21 greenhouse gas emissions, 80 percent of ozone-forming gas  
22 emissions, and over 95 percent of diesel particulate  
23 matter.

24 The LCFS is a key part of a comprehensive set of  
25 programs in California to reduce emissions from the

1 transportation sector, including the cap and trade  
2 program, advanced clean car program, and SB 375. In the  
3 cap and trade program, fuel providers have a compliance  
4 obligation for the greenhouse gas emissions that result  
5 from the production and use of fuels. Therefore, it is an  
6 incentive to increase the efficiency in the production of  
7 fuels and to develop fuels with lower greenhouse gas  
8 emissions.

9           The advanced clean car program encourages more  
10 efficient vehicles and reduces gasoline use. SB 375  
11 encourages land use planning for pedestrian and bicycle  
12 friendly communities to reduce vehicle miles driven.

13                           --o0o--

14           AIR RESOURCES ENGINEER SIDECO: I would like to  
15 spend a little more time describing how the LCFS works  
16 cohesively with the cap and trade program. As you are  
17 aware, the cap and trade program will expand to cover  
18 transportation fuels starting in 2015.

19           The cap and trade program provides a hard limit  
20 on economy-wide greenhouse gas emissions, but provides  
21 compliance flexibility, seeking the most cost effective  
22 measures to reduce greenhouse gas emissions. Including  
23 fuels under the cap ensures that all sectors, including  
24 transportation, which is the largest source of greenhouse  
25 gas emissions, are treated equitably in meeting



1 megajoule of energy provided by that fuel. CI takes into  
2 account the greenhouse gas emissions associated with all  
3 of the steps of producing, transporting, and consuming a  
4 fuel, also known as a complete life cycle of that fuel.  
5 The LCFS is fuel neutral and lets the market decide how  
6 best to comply.

7 --o0o--

8 AIR RESOURCES ENGINEER SIDECO: The LCFS  
9 primarily affect providers of petroleum fuels and biofuels  
10 in California. These are the regulated parties. In-state  
11 fuel producers and out-of-state fuel importers are usually  
12 the regulated parties, unless they pass that obligation  
13 downstream.

14 Some fuels already meet the 2020 CI targets and  
15 are therefore exempt from the LCFS. Providers of these  
16 low CI fuels are voluntarily opting into the LCFS program  
17 and generating credits. These credits can be bought and  
18 sold by regulated parties for compliance purposes, either  
19 now or in the future.

20 --o0o--

21 AIR RESOURCES ENGINEER SIDECO: The LCFS  
22 accounting system is pretty straight forward. Fuels and  
23 fuel blend stocks introduced into the California fuel  
24 system that have a CI higher than the applicable standard  
25 generate deficits. Similarly, fuels and fuel blend stocks

1 with CIs below the standard generate credits.

2 Compliance is achieved when a regulated party's  
3 deficits are offset by its credits. The current  
4 compliance curves are back loaded to allow time for the  
5 development of low CI fuels and advanced vehicles.

6 --o0o--

7 AIR RESOURCES ENGINEER SIDECO: Since the  
8 regulation went into effect, regulated parties have  
9 successfully operated under the LCFS program. The LCFS is  
10 working as designed and intended. This figure shows the  
11 total credits and deficits reported by regulated parties  
12 through the first four quarters of the last three years  
13 and the first quarter of this year.

14 Regulated parties in the aggregate have over  
15 complied with the LCFS standards in every quarter since  
16 implementation. Cumulatively, through the end of the  
17 first quarter of this year, there have been a total of 3.1  
18 million excess credits that can be used for future  
19 compliance. These credits do not expire. For reference,  
20 one credit equals one metric ton of carbon dioxide  
21 equivalents.

22 --o0o--

23 AIR RESOURCES ENGINEER SIDECO: Credits so far  
24 have been generated primarily from low CI ethanol, but  
25 also from biodiesel, renewable diesel, and natural gas.

1           There is some electricity in there, but it's  
2 currently that's than two percent. There is not yet any  
3 hydrogen generating credits. However, we expect LCFS  
4 credits from both electricity and hydrogen to  
5 significantly increase as electric and fuel cell vehicles  
6 continue to come into the California market in larger  
7 numbers.

8           I would also like to highlight the major  
9 contribution of renewable diesel at 14 percent of the  
10 credits. Interestingly, only one company is responsible  
11 for the vast majority of these credits demonstrating the  
12 opportunity for growth and the ability of the LCFS to pull  
13 low carbon fuels to California, even at these early  
14 stages. As the LCFS becomes more stringent, we expect the  
15 pull of the LCFS program to increase and volumes of  
16 renewable diesel and other low carbon fuels to grow.

17                           --o0o--

18           AIR RESOURCES ENGINEER SIDECO: Regarding the  
19 LCFS credit market, only regulated parties are allowed to  
20 participate in the market. No third parties can hold  
21 credits, making it a closed system. We have a robust  
22 credit market, with 81 entities buying and selling LCFS  
23 credits and 345 credit transactions recorded through the  
24 second quarter of 2014.

25           LCFS credit prices have varied, starting at ten

1 to \$15 per credit in 2012, rising to \$85, but declining  
2 more recently as our compliance curves have been  
3 temporarily frozen in place by the court, which brings me  
4 to our next topic.

5 --o0o--

6 AIR RESOURCES ENGINEER SIDECO: The LCFS has two  
7 lawsuits, one federal and one state. The federal lawsuit  
8 claimed that the LCFS violated the commerce clause by  
9 favoring ethanol and crude oil from California, and the  
10 district court agreed. But the 9th Circuit Court of  
11 Appeals reversed the district court's opinion that the  
12 LCFS violated the commerce clause in certain respects and  
13 sent other issues back to the district court for further  
14 proceedings. The plaintiffs appealed to the US Supreme  
15 Court, but their request for review of the case was  
16 denied.

17 In the state lawsuit, the State 5th District  
18 Court of Appeal found procedural issues with the  
19 California Environmental Quality Act, or CEQA, and the  
20 Administrative Procedures Act. The court rejected the  
21 plaintiff's request to invalidate the LCFS, thereby  
22 allowing ARB to enforce the program at 2013 CI levels  
23 while addressing the court's concerns. To address the  
24 ruling and provide lasting market certainty, ARB staff  
25 will propose in early 2015 that the Board re-adopt the

1 LCFS regulation and adopt the alternative diesel fuel  
2 regulation that involves biodiesel.

3 --o0o--

4 AIR RESOURCES ENGINEER SIDECO: I would like to  
5 discuss in a little more in detail the nexus between  
6 biodiesel and the LCFS. We acknowledged in 2009 during  
7 the original LCFS rule making the need to investigate and  
8 address potential NOx impacts of biodiesel.

9 The court ruled that we had not yet completed  
10 that analysis and made necessary findings regarding NOx  
11 impacts and mitigation. Therefore, we had not yet met  
12 CEQA requirements.

13 To the extent that the LCFS encourages biodiesel  
14 use, staff will propose measurements to mitigate any  
15 significant NOx impacts from that biodiesel use as  
16 required by CEQA. These measures will be part of a  
17 separate but linked alternative diesel fuel or ADF  
18 regulation.

19 --o0o--

20 AIR RESOURCES ENGINEER SIDECO: ARB and many  
21 others have been studying the NOx impacts associated with  
22 biodiesel use for many years. Initial data suggested that  
23 biodiesel blends at five percent biodiesel or B5 and even  
24 greater may not result in a NOx impact. However, recent  
25 data shows that there is a NOx impact at B5 for certain

1 vehicles and with certain feedstocks. In light of these  
2 new data, staff is evaluating necessary options to ensure  
3 that NOx emissions do not increase.

4 Staff will propose the ADF regulation to the  
5 Board during the same month as the hearing to consider  
6 readoption of the LCFS.

7 --o0o--

8 AIR RESOURCES ENGINEER SIDECO: I want to draw an  
9 important distinction between bio dose all and renewable  
10 diesel. The terms biodiesel and renewable diesel are  
11 frequently used interchangeably. However, they are  
12 distinct products.

13 Biodiesel and renewable diesel are both derived  
14 from animal fats and vegetable oils. Biodiesel contains  
15 oxygen molecules in the form of esters and can be produced  
16 economically on a relatively small scale. Consequently,  
17 there are over 100 plants in the United States, including  
18 about a dozen in California. Renewable diesel is  
19 chemically undistinguishable from conventional diesel and  
20 it involves a process called hydro-treating, a common  
21 refinery process that can only be produced economically on  
22 a large scale. At this time, there are only a handful of  
23 renewable diesel plants in the world.

24 Importantly, biodiesel and renewable diesel also  
25 differ in their tailpipe emissions. Both fuels provide

1 reduction of toxic diesel PM as well as hydrocarbons and  
2 carbon monoxide. However, biodiesel can increase NOx,  
3 whereas renewable diesel decreases NOx.

4 Incidentally, renewable diesel is one of the  
5 proposed mitigation strategies being considered to offset  
6 biodiesel NOx increases. As I mentioned before, renewable  
7 diesel will now account for 14 percent of the total  
8 credits generated, and we see greater volumes of this low  
9 carbon fuel coming to California in response to the LCFS.

10 --o0o--

11 AIR RESOURCES ENGINEER SIDECO: I hope that the  
12 relationship between the LCFS, biodiesel use, and the ADF  
13 is a little more clear.

14 I would like to now return the focus to the just  
15 the LCFS. Although implementation of the LCFS has gone  
16 smoothly, there are opportunities to improve the  
17 regulation. Staff is developing a package of proposed  
18 amendments to improve the LCFS. There are several factors  
19 driving the staff's proposed amendments. First, based on  
20 stakeholder comments received in both the original 2009  
21 rulemaking and 2011 amendments, the Board directed staff  
22 to consider revisions to the regulation in specific areas.

23 Additionally, staff has received feedback from  
24 regulated parties and other stakeholders throughout the  
25 implementation of the LCFS, to which staff has been





1           AIR RESOURCES ENGINEER SIDECO: Finally, I would  
2 like to discuss the proposed time line for the LCFS  
3 rulemaking. Staff conducted an initial public workshop to  
4 discuss the proposed readoption on March 11th of this  
5 year.

6           After the initial workshop, eight other workshops  
7 followed, both topic specific and LCFS program overviews.  
8 Staff has also convened the LCFS Advisory Panel, which  
9 comprises of a group of over 40 experts representing many  
10 aspects of the LCFS program to provide feedback to the ARB  
11 staff on our current progress and planned progress.

12           Additional workshops will continue through the  
13 rulemaking process as well as an additional meeting of the  
14 LCFS Advisory Panel. The first Board hearing on the  
15 proposed LCFS readoption and ADF adoption is scheduled  
16 four January of 2015, with a second Board hearing  
17 tentatively in the summer of 2015.

18           Should the Board readopt the LCFS with proposed  
19 revisions, the implementation of the improved LCFS will  
20 begin January 1st, 2016.

21           This concludes my presentation. And we thank you  
22 again for the opportunity to provide an update on the low  
23 carbon fuel standard. We would be happy to take any  
24 questions.

25           CHAIRPERSON SAWYER: Thank you. That was a very

1 comprehensive presentation of a big topic.

2 We do have 14 witnesses who signed up so far  
3 covering an array of different stakeholders. I think we  
4 should just hear from them first. We'll start with  
5 Catholic Charities of Stockton.

6 MS. ROEDNER SUTTER: Hello. Thank you again for  
7 the opportunity to speak. Hi name is Katelyn Roedner  
8 Sutter, the Environmental Justice Program Director at  
9 Catholic Charities in the Diocese of Stockton.

10 And I just wanted to briefly share with you why  
11 we support the low carbon fuel standard. First, as a  
12 faith organization, we see the LCFS as a tangible  
13 practical large scale way we can be good stewards of God's  
14 creation. The LCFS limits our carbon footprint, which is  
15 linked to calamitous effects on our environment. Locally,  
16 we are seeing this manifest itself in hotter temperatures,  
17 less rainfall, and concerning changes in our delta  
18 ecosystem.

19 Just as urgent for the geography of the Stockton  
20 Diocese, we see the poor air quality that is causing  
21 asthma, heart disease, lung disease, and other respiratory  
22 ailments. By cleaning up our emissions and limiting our  
23 consumption of dirty energy, we are improving our air  
24 quality and the health of all of our residents. The LCFS  
25 is helping us be good stewards of creation, while

1 improving health outcomes for all people.

2 Our stewardship also has important implications  
3 for future generations who will eventually breathe the  
4 results of our behavior now.

5 Additionally, as we have the concern for justice  
6 in all matters, we are deeply troubled these health  
7 impacts I've listed disproportionately harm people who are  
8 poor and vulnerable in our communities. This includes  
9 children, older adults, and those who live in  
10 neighborhoods next to highways and transportation and  
11 shipping hubs, which certainly describes the city of  
12 Stockton.

13 Of course, those neighborhoods are often largely  
14 people of color and low income households. All of this is  
15 to say that those among us who can least tolerate the  
16 health impacts of our dependence on oil are the ones  
17 bearing the heaviest burden. They are literally living,  
18 breathing, and dying the outcomes of our dirty energy, yet  
19 often do the least to contribute to our poor air quality.  
20 The LCFS is helping to improve our air quality for the  
21 benefit of all of our residents.

22 Finally, we in Stockton are already seeing the  
23 tangible economic benefits of the LCFS. Right at the port  
24 of Stockton is Community Fuels, an advanced biorefinery  
25 that is employing local talent and is expanding as we

1 speak.

2           Last year, I was fortunate enough to take a tour  
3 of this facility, which took me back to college chemistry  
4 class, but also impressed upon me the real local economic  
5 benefits of this clean and growing industry. Like many  
6 cities in California, Stockton has fallen on some hard  
7 times. But investments from companies like Community  
8 Fuels will be part of the city's come-back. I believe  
9 Stockton is real proof that the LCFS is helping our  
10 environment and our economy.

11           Thank you very much for your time and all of the  
12 work you have done and continue to do on the LCFS.

13           CHAIRPERSON NICHOLS: Thank you.

14           Ms. Reheis-Boyd.

15           MS. REHEIS-BOYD: Good morning, Chairman Nichols  
16 and members of the Board.

17           Cathy Reheis-Boyd, President, Western States  
18 Petroleum Association. Good to see you all again. It's  
19 been a while.

20           I do appreciate the staff's perspective they've  
21 shared today. We are four years in implementation into  
22 the low carbon fuel standards. So I think it's a good  
23 time to really assess where we are on our objectives, our  
24 targets, our mechanisms and our timing. Because we really  
25 do know a lot more now than we did four years ago. And

1 things have really evolved. And the data is coming very  
2 quickly and it's good for us to really pause and work  
3 together to look at that.

4 We still are challenged with trying to figure out  
5 how to meet 10 percent by 2020. The current data still  
6 points to its just too much too fast, given what we know.

7 Certainly, we have submitted some BCG analysis.  
8 I think the Board Clerk has distributed that to you. We  
9 will have an update very quickly on that. We've been  
10 working extremely well with staff. Thank you, Richard,  
11 for pulling together the conversations we've been having  
12 with BSG and the CARB staff. There's lot of information  
13 to share. A lot of things have evolved.

14 Dr. Sperling has even mentioned today there's  
15 some transitional things we ca look at. We'd like to get  
16 that in the analysis as well. So all of that has been  
17 very, very helpful. My view is the closer we get on  
18 assumptions, obviously we aren't in total agreement, no  
19 surprise, Richard. But hopefully we're getting closer.  
20 We all appreciate Mike Waugh's new term, giddyup. I don't  
21 know if you've heard that yet. But he can define that for  
22 you when you ask him some questions.

23 But we really are concerned about still the costs  
24 and how to mitigate those. And we worked with you through  
25 the cap and trade program on the stationary source side.

1 And we want to do that here as well. As we go into the  
2 slope of the curve and the timing of the curve between  
3 2015 and 2020, it becomes really, really important. And  
4 so that's really what we're looking at.

5 We all hoped for cellulosic. You know, everybody  
6 was disappointed that it hasn't come as fast. And  
7 hopefully it will in the future. But that has made it  
8 more challenging for all of us. There is certainly been  
9 some reductions in some of the ethanol, especially the  
10 mid-range ethanols. And certainly, we need to still look  
11 at the volumes of those ethanols and the relative volumes  
12 that we can get through alternatives like electric  
13 vehicles and other things that have to sync up if we're to  
14 make the transition work.

15 We need to be cautious about the credits. As you  
16 know, the reason we have excess credits is because we've  
17 been frozen at one percent. That is a significant  
18 element. We are concerned as we look forward that those  
19 credits get increasingly deficit as we go forward and the  
20 ramp-up occurs. So that -- again, that timing of how  
21 those all sync up becomes very, very important for us to  
22 sustain a program into the future. And that we want to  
23 make sure that the cost impact is associated with that.

24 So there is a lot more to talk about. Certainly  
25 appreciate again the continued dialogue. We want to share

1 with you the updates on the BCG analysis and look forward  
2 to working with not only your staff and stakeholders on  
3 new information. Because this is all about, as Chairman  
4 Nichols says, this is an informational hearing, not a  
5 regulatory development. But there is a lot of information  
6 to share. So we're anxious to continue that dialogue.  
7 It's been a good and healthy one.

8           The closer we get on assumptions, the better  
9 policy decision we'll be able to make.

10           CHAIRPERSON NICHOLS: This document that we're  
11 receiving today is dated May 28th, 2014, is that the most  
12 recent?

13           MS. REHEIS-BOYD: Chairman Nichols, we did submit  
14 some additional scenarios. In fact, your staff asked us  
15 to look at the Governor's goal of electric vehicles, some  
16 of the increased R&D. We've done that. We have a draft  
17 that we've just got internally. We'll be sharing that  
18 with your staff this week. We'll re-run the analysis  
19 using that data.

20           The dialogue in that exchange has been super  
21 helpful, because we're now at the point we're really  
22 looking at the data to drive the policy decisions. And we  
23 know that now because it's been four years. It's been  
24 really, really helpful. We're happy to share that. This  
25 is the recent one we submitted.

1           CHAIRPERSON NICHOLS: Appreciate that. I know as  
2 has been said before, there's many workshops and a lot of  
3 interactions. So thank you. To be continued.

4           Mr. Foster.

5           Mr. FOSTER: Good morning, Madam Chair and  
6 members of the Board.

7           Quentin Foster on behalf of the California  
8 Electric Transportation Coalition. My comments in support  
9 of LCFS today will be relatively brief. CalETC, we are a  
10 nonprofit association with the Board of Directors that  
11 includes Los Angeles Department of Water and Power, PG&E,  
12 SMUD, San Diego Gas and Electric, and Southern California  
13 Edison.

14           We appreciate the opportunity to comment today on  
15 the staff recommendation to further strengthen the low  
16 carbon fuel standard, which we strongly support. First,  
17 we applaud Richard Corey and his staff for facilitating a  
18 robust stakeholder process with workshops focused on the  
19 purpose of enhancing the design and implementation of the  
20 LCFS policy.

21           The regulation is designed to set a standards for  
22 the regulated industry and allow the industry to best  
23 determine how to meet those standards.

24           To echo the staff presentation today, already as  
25 a result of this policy that is providing consumers with

1 more fuel and energy choices, we are witnessing increased  
2 innovation in both the fuels and the vehicle markets. In  
3 short, the policy is working.

4           Early implementation of the LCFS has demonstrated  
5 the effectiveness of the design in that the industry is  
6 over-complying and credits are being generated from  
7 sources not originally anticipated during the development  
8 of the LCFS policy. Staff has meticulously considered all  
9 aspects of the regulation and the recommendation that they  
10 are proposing today.

11           Specifically, we appreciate the addition of  
12 forklifts and fixed guide way systems being included in  
13 the recommended language. We have long advocated for this  
14 as the definition of transportation fuel in the LCFS  
15 includes non-road uses of transportation fuel.

16           We look forward to continuing to work with staff  
17 in 2015 and later years as this essential regulation is  
18 proposed for re-adoption to add other types of non-road  
19 electric transportation to the low carbon fuel standard.

20           Thank you for your consideration today.

21           CHAIRPERSON NICHOLS: Thank you.

22           Mr. O'Donnell.

23           MR. O'DONNELL: Good morning, Chair Nichols and  
24 members of the Board. Thank you for the opportunity to  
25 offer a couple of comments about the low carbon fuel

1 standard.

2 My name is John O'Donnell. I'm speaking on  
3 behalf of the Glass Point Solar. Glass Point is a  
4 California company. We manufacture solar steam  
5 generators for the oil and gas industry worldwide. We  
6 offer California operators low cost steam for production  
7 operations. Solar steam replaces fuel fired steam in  
8 expanding production and reducing emissions, both criteria  
9 pollutants and greenhouse gases. We've been operating the  
10 pilot project in California now for more than three years,  
11 much larger facilities in the middle east. And we're  
12 excited about the potential for full-scale deployment here  
13 in California.

14 Staff earlier this year estimated that solar  
15 energy facilities under the proposed innovative crude  
16 provisions could enable solar to deliver more than four  
17 million tons a year of emissions reductions into the  
18 system.

19 Glass Point appreciates the effort staff has been  
20 making to develop a regulation that will work well for all  
21 parties and enable investments in these kinds of  
22 facilities in California. These facilities will deliver  
23 California jobs, Central Valley air quality improvements,  
24 they're displacing combustion, especially in hot summer  
25 days in the Central Valley, and permanent reductions in

1 the carbon intensity of California transportation fuel.

2 I'd specifically like to thank staff for the  
3 efforts in simplifying and revising the innovative crude  
4 provisions.

5 Today's time line update that the regulation  
6 won't come to you for a vote in November or even this year  
7 creates potential timing for us and for the entire solar  
8 industry seeking to deliver credits under this program.  
9 The solar industry faces a fixed federal deadline at the  
10 end of 2016. The current investment tax credit expires.  
11 If your project is not online by the end of 2016, you  
12 experience an effective 20 percent price increase.

13 Our projects take not only 18 months from start  
14 to online, the window starts to close early next year.  
15 Staff's been aware of this timing concern. We understand  
16 the delay is not associated with this issue, the  
17 implications of a delay fall particularly heavily on any  
18 solar technology that -- and their customer.

19 So for some projects, the cost per ton and the  
20 viability of the project depends on this regulation. So  
21 delay is significant, especially if there is this  
22 possibility of a 20 percent price increase. We greatly  
23 appreciate the simplifications that have been made in the  
24 updated regulation including default scores for projects.  
25 We believe that these simplifications can reduce investor

1 uncertainty and shorten the time required and staff  
2 workload for processing and approval of the individual  
3 projects.

4 We respectfully request that you continue to  
5 direct attention into how we can shorten the time line so  
6 we can get some of the first of these projects online  
7 before the credits expire. Thank you very much.

8 CHAIRPERSON NICHOLS: Mr. White.

9 MR. WHITE: Thank you. Chuck White with Waste  
10 Management. I'm also representing the Bioenergy  
11 Association of California, of which Waste Management is a  
12 charter member.

13 Waste Management provides comprehensive  
14 environmental services throughout the US and California.  
15 And we're currently in the process of transitioning our  
16 entire 2,500 heavy-duty vehicle fleet in California to low  
17 carbon renewable natural gas, in large part due to the  
18 California LCFS.

19 We are further developing and operating projects  
20 to provide low carbon fuels in California. And we're  
21 working with the Oregon Department of Environmental  
22 quality to hopefully adopt a similar program in that  
23 state.

24 The Bioenergy Association of California promotes  
25 sustainable bioenergy and is focused on bioenergy

1 generation from a wide range of sustainable organic urban  
2 waste from agricultural and forest resources. According  
3 to ARB's own pathway, these are the feed stocks that  
4 produce the lowest carbon fuels they can help obligated  
5 parties meet the low carbon fuel standard.

6 BAC is working with U.C. Davis to estimate their  
7 biofuel potential of very low carbon fuels that can be  
8 produced from urban forests and ag waste in California.  
9 We think there is a potential about 2.1 billion gallons  
10 per year of waste derived fuels that could be produced,  
11 although it's going to be economics that will drive the  
12 development of these projects.

13 The LCFS is working as intended but needs to be  
14 strengthened. The alternative fuels market is growing but  
15 more low carbon fuel producers need to be encouraged to  
16 enter the market. Regulatory and market uncertainty is  
17 really critical to investment in low carbon fuels.

18 The BAC was extremely disappointed this year when  
19 we were unable to move AB 3290 out of the Assembly. That  
20 would have created a green credit reserve that would have  
21 entered into long-term contracts for the value of LCFS  
22 credits. And that's what we need is price certainty for  
23 the most value of the fuel and the credits in order to  
24 invest in the 20 or \$30 million projects.

25 In the written comments I submitted to you, I

1 give you an example of a challenge we're facing in  
2 biomethane, but I won't go into that in the interest of  
3 time.

4           Recent wild swings in LCFS prices due to LCFS  
5 legal and political challenges to the program have  
6 undercut investor confidence in the LCFS market as a  
7 dependable source of revenue to support investment.

8           In our view, however, there are a variety of  
9 things ARB can do. First, you should maintain a strong  
10 compliance curve through 2020 and beyond. Compliance  
11 curves will determine the scale of the market opportunity  
12 and therefore the level of private sector interest in  
13 expanding the availability of low carbon fuels.

14           Second, any transparent and predictable market  
15 rules to ensure temporary challenges are avoided and  
16 credit clearance mechanism you're considering and a price  
17 floors we think on the order of about \$50 per metric ton  
18 of CO2 metric ton would be appropriate.

19           Third, the CARB should look at the values of  
20 credits are legitimate that have never been created but  
21 here historically valid. No useful credits be left on the  
22 table in ways when people submit new pathways to be able  
23 to go back in time to value those credits.

24           Finally, devote more resources to approving LCFS  
25 pathways.

1           In conclusion, the ARB must continue to  
2 strengthen of the LCFS to attract and expand a level of  
3 low carbon fuel development necessary to meet the low  
4 carbon fuel objectives. Thank you.

5           CHAIRPERSON NICHOLS: Thank you very much.

6           BOARD MEMBER SPERLING: Could I ask a question?

7           CHAIRPERSON NICHOLS: Yes, of course.

8           BOARD MEMBER SPERLING: You mention this idea of  
9 a price floor. It's kind of jarring to me just because we  
10 just heard from WSPA that said it's impossible to meet the  
11 ten percent requirement by 2020, which implies the credit  
12 prices would go up, not go down. So why do you think  
13 there is a need for a price floor?

14           MR. WHITE: It's just if we knew there was a  
15 certain guaranteed value we could get for the credits that  
16 would provide certainty on the revenue stream necessary to  
17 support the 20 to \$30 million investment to build these  
18 plants. I have to admit Waste Management is a  
19 conservative investor and the uncertainty of future values  
20 of credits is what's really given us pause in investing  
21 much more than we're doing now in the production of low  
22 carbon renewable fuels.

23           Unlike power purchase agreements where you can  
24 enter into a 30-year or 20-year contract with the public  
25 utility to produce renewable electricity, you're given --

1 and those contracts, you're given the price up front. You  
2 know exactly what your revenue stream is going to be for  
3 20 years. Under the low carbon fuel standard, the price  
4 value of fuel, say natural gas value, is like \$4.50 per  
5 MMBTU. We need about a 10 to \$15 revenue stream that  
6 includes the base price of the fuel, includes the RFS 2  
7 credits and includes low carbon fuel standard credits in a  
8 predictable fashion for sufficient time to get the capital  
9 pay back.

10 And we need to have a price floor or at least  
11 certainty that there is not going to be these wild  
12 fluctuations in price in the future when we depend on this  
13 revenue stream to defray the debt that we occurred in  
14 developing these projects.

15 BOARD MEMBER SPERLING: Do you have any evidence  
16 that the banks will not --

17 MR. WHITE: We have not found anybody that will  
18 enter into a long-term contract for the value of the LCFS  
19 credits for five to ten years necessary to pay that.  
20 We're willing to take a haircut on the value of the  
21 credits. But we need to have a certainty in that revenue  
22 stream in order to make the investments necessary.

23 BOARD MEMBER SPERLING: This is even from these  
24 oil companies that are saying that it's -- the price is  
25 going to go way up because it's so difficult to meet it?

1 They're not willing to buy --

2 MR. WHITE: I can't mention any names because we  
3 entered into non-disclosure agreements with people we've  
4 had the discussions with. I can assure you we haven't  
5 found anybody that's willing to enter into five or ten  
6 year contracts for LCFS credits going forward.

7 BOARD MEMBER SPERLING: Thank you.

8 CHAIRPERSON NICHOLS: Okay. Ms. Mendoza.

9 MS. LOPEZ-MENDOZA: Good morning, Board members  
10 and staff. Happy Friday.

11 I'm from the Southern California Gas Company. My  
12 name is Jerilyn Lopez-Mendoza. I just wanted to tell you  
13 we are very much in support of the LCFS. Southern  
14 California Gas has opted into the program, and we are  
15 active participants in the stakeholder process this staff  
16 has been engaging in. We actually want to say we  
17 appreciate the hard work of staff and really appreciated  
18 particularly their moderation skills during our last  
19 technical advisory group meeting, as they were very much  
20 engaged in that regard.

21 We believe this policy helps our meet our  
22 greenhouse gas reduction goals and objectives and we just  
23 want to simply put on the record that we support moving  
24 forward and look forward to participating in the  
25 re-adoption process.

1           Thank you very much. And I dearly hope there are  
2 no questions.

3           CHAIRPERSON NICHOLS: Good.

4           MS. O'BRIEN: Yes. Good morning, Madam Chairman,  
5 Board members, as well as staff.

6           Rachael O'Brien on behalf of the Union of  
7 Concerned Scientists as well as Consumers Union, which is  
8 the policy and action division of Consumer Reports.

9           Thank you for the opportunity to comment on  
10 California's low carbon fuel standard regulation, which we  
11 believe is vital and transformative -- is a vital and  
12 transformative role for the future of clean transportation  
13 and fuel in California and beyond.

14           The state's LCFS is an important tool to help cut  
15 carbon emissions. And reducing petroleum use will not  
16 only reduce carbon pollution and other health-threatening  
17 pollutants associated with the manufacture and use of  
18 petroleum products, but research indicates this policy can  
19 lead to more money in consumers' pockets, good jobs, and a  
20 more secure energy supply, and will secure California's  
21 role as a leader in innovative transportation technology.

22           Because the LCFS uses a technology neutral  
23 performance-based approach, fuel producers can comply in  
24 many ways. One option is to either sell greater amounts  
25 of cleaner fuels or buy credits for others who do.

1 Another option is the use innovative methods in  
2 the production process for existing fuels, for example,  
3 replacing natural gas with solar heat and the production  
4 of oil. The LCFS also supports cleaner fuels that  
5 minimize competition with food and forests.

6 The gas at our local stations already contains  
7 ten percent of corn ethanol on average, but we believe  
8 corn ethanol is not the fuel of the future. Cellulosic  
9 biofuels made from agricultural waste, for example, allows  
10 us to fuel up without putting added pressure on our food,  
11 water, and climate.

12 The LCFS accounts for emissions from land use,  
13 steering the market towards biofuels that minimize  
14 deforestation, and use land efficiently or do not use land  
15 at all, like fuel made from agricultural waste.

16 On the UCS side, they released a report showing  
17 California is one of the top ten states in terms of  
18 potential ag residues to make into fuel. A link to this  
19 report was submitted in our written comments.

20 And to date, USC is hosting a cellulosic summit  
21 that is bringing clean fuel exports from California,  
22 around the country, out to visit one of the first  
23 commercial-scale cellulosic biofuel facilities in Iowa.  
24 With policies like this, the LCFS future facilities can  
25 produce cleaner fuels from California's abundant

1 agricultural residues.

2 Of course, policy stability is needed to give  
3 investors the confidence to make big bets on clean fuels.  
4 By re-adopting the LCFS, adding sensible refinements like  
5 a cost containment mechanism and initiating work on  
6 post-2020 targets, the Board will support the investments  
7 required to make LCFS and broader suite of climate  
8 policies work as intended.

9 In closing, we just want to thank the CARB staff  
10 for working diligently with the stakeholders to ensure  
11 that any amendments to the rule are informed by the best  
12 scientific and technical information.

13 We look forward to supporting the plan. Thank  
14 you.

15 CHAIRPERSON NICHOLS: Thank you.

16 Our speakers are getting much better at learning  
17 how to not take a breath when the buzzer goes off, which  
18 it makes it very difficult to stop you. But I would  
19 really appreciate if people would try to stop when the  
20 buzzer goes off. Thank you.

21 MR. HALL I will do my best.

22 Good morning, Madam Chair and members of the  
23 Board.

24 My name is Jaime Hall. I'm Policy Director for  
25 CALSTART, a nonprofit organization with about 150 member

1 companies across the clean transportation space.

2 We're here today in support of the LCFS. We want  
3 to thank the Board and staff for the work on this program.  
4 We believe it's working as intended, but I don't expect  
5 you to just to take my word for it. It's based on what  
6 I'm hearing from industry.

7 We held our second annual clean low carbon fuel  
8 summit here in Sacramento back in April. There were more  
9 than 120 people taking part, industry leaders and  
10 stakeholders representing a wide array of fuels from  
11 biofuels to natural gas, electricity, hydrogen, and DME.

12 The goal is discuss what's working nd what's not  
13 in fuels policy in California. There was some discussion  
14 about the issues Chuck White raised around capital  
15 financing, certainty, potential enhancements, or  
16 complimentary policies needed to keep us moving forward  
17 faster.

18 But the tone was overwhelmingly positive overall.  
19 There was strong support for the LCFS and all of our fuels  
20 policies under AB 32 as critical market drivers. It was  
21 really remarkable to see this very diverse group of  
22 stakeholders representing all these different fuels  
23 standing up and saying the same thing. They were all  
24 saying we have to stay the course on these policies. They  
25 were all agreeing we needed a diverse portfolio of fuels.

1 No one thought their solution was the silver bullet. And  
2 they all gave us concrete examples of the tremendous  
3 progress we're making in all these fuels.

4 There's growing volumes of clean fuels entering  
5 the market. The fuel mix is not what we all expected I  
6 think at the outset. But that's the beauty of the market  
7 based system. There are a lot of different pathways to  
8 the future, all of which are better than status quo. So  
9 thanks again for all your work. And please continue to  
10 move forward and stay the course on this policy.

11 CHAIRPERSON NICHOLS: Thank you.

12 Bill.

13 MR. MAGAVERN: Bill Magavern with the Coalition  
14 for Clean Air also urging you to stay the course on the  
15 low carbon fuel standard.

16 This policy was created I believe out of a  
17 recognition that we need to wean ourselves off of our  
18 addiction to oil when it comes to transportation fuels,  
19 that fuel efficiency is absolutely essential. We're doing  
20 a good job there. As we discussed earlier this morning,  
21 changes to land use are essential and we're starting to  
22 make some progress there. A lot more needs to be done.

23 And thirdly, it is vital that we change our  
24 transportation fuel mix. And the low carbon fuel standard  
25 is starting to do that. It is in the early stages

1 working. I agree with Jamie Hall, the fuel mix is not  
2 exactly what was anticipated several years ago. But  
3 that's okay because the LCFS takes a portfolio approach.  
4 There are a diverse variety of fuels that can help to meet  
5 the standard. So far that's happening.

6 We always want to make sure that in alternative  
7 fuels we're not doing any backsliding on air quality. And  
8 the issue of NOx emissions from biodiesel has been a  
9 sticky one. For a while, it seems like we still don't  
10 have the answers. And so I think you're taking the right  
11 approach by continuing to study it.

12 I also think one of the great contributions that  
13 this Board has made to the question of global life cycle  
14 greenhouse gas emissions from fuels is the indirect land  
15 use conversion factor. I know you're continuing to hone  
16 that. It's important that we get that right. So I  
17 support the continued study there.

18 So it is working. Some challenges remain. But  
19 again, we urge you to stay the course.

20 CHAIRPERSON NICHOLS: Thank you.

21 Dina.

22 MS. BISCOTTI: My name is Dina Biscotti. I'm  
23 here on behalf of the BlueGreen Alliance a national  
24 coalition of labor and environmental organizations. We  
25 believe it's possible to meet today's environmental

1 challenges in ways that create and maintain quality jobs  
2 and a stronger more socially just economy.

3 We remain strong supporters of AB 32 and the low  
4 carbon fuel standard. We are grateful to the Board and to  
5 CARB staff for your ongoing work to improve the LCFS. We  
6 are engaging with staff who have been responsive to our  
7 input. And we are pleased with the robust re-adoption  
8 process that is underway.

9 Earlier this month, the United Steel Workers, the  
10 Natural Resource Defense Council and the BlueGreen  
11 Alliance sent a joint letter to Mr. Waugh expressing our  
12 support for CARB's efforts to establish a cost containment  
13 mechanism and LCFS pathway for refinery improvements.

14 A well-designed cost containment mechanism can  
15 make the LCFS program more resilient. It can create  
16 greater cost certainty, while preserving the vital signal  
17 to invest in emissions reductions. CARB may wish to  
18 consider whether refineries should provide CARB with  
19 investment plans that show how they will make up for any  
20 deficits accrued. Credits for refinery improvements can  
21 spur additional investments in our refineries and create  
22 jobs, while reducing the carbon intensity of our  
23 transportation fuels.

24 We also support credits for investments in  
25 innovative greenhouse gas reducing technology, such as

1 solar thermal, as was previously mentioned at refineries.

2 Thank you again for all your work. And we look  
3 forward to the continued smooth implementation of a low  
4 carbon fuel standard.

5 CHAIRPERSON NICHOLS: Thank you.

6 MR. MUI: Good morning, Chairman Nichols, members  
7 of the Board.

8 I'm Simon Mui with the Natural Resources Defense  
9 Council directing our clean fuels and vehicles work.

10 First, thank you to staff and management for  
11 their exquisite hard work, six years over development of  
12 this program. And we're starting to see it take flight.

13 Our organization has been very supportive of the  
14 LCFS as a critical piece of California's toolkit around AB  
15 32. We know it's working. With just three years of  
16 implementation under the belt, the program has resulted in  
17 nearly eight million metric tons of reduction. We're  
18 seeing record volumes of alternative fuels come into the  
19 market now, and we're also seeing nearly every fuel  
20 provide are we talked to talk about ways they are reducing  
21 carbon emissions. And that is the name of the game.

22 We're also seeing that California's leadership  
23 does, indeed, matter. We heard about the Pacific coast  
24 climate action plan earlier. The Governor is moving  
25 forward now across the region with clean fuel standards in

1 their own states.

2 Now, this January, the Board is scheduled to look  
3 at the LCFS to address some of the procedural errors found  
4 in the state lawsuit. We think it's smart for the Board  
5 and the management and staff to take this opportunity to  
6 both enhance and strengthen the LCFS going forward.

7 And there is three ways we are focusing on to do  
8 that. One is to maintain the ARB's 2020 targets and  
9 establish stronger targets beyond 2020. Doing so will  
10 provide longer-term market certainty as well as reflecting  
11 the environmental necessity to continue progress.

12 You heard a little bit from BlueGreen Alliance  
13 about the opportunities to reduce emissions even under the  
14 petroleum supply chain. And we support technologies that  
15 can do that. We heard from Glass Point as well  
16 identifying it. Our analysis last year showed that just  
17 five innovative technologies could contribute over a third  
18 of the reductions from the program.

19 Finally, establishing clear market rules. A  
20 smart structural improvements likes the cost containment  
21 mechanism. Specifically, the credit clearance mechanism  
22 can help address some of the uncertainty you heard being  
23 discussed both in terms of the supply, as well as credit  
24 prices.

25 So again, I'd like to thank you for your

1 testimony work here going forward. We're seeing  
2 California's leadership make real progress. Let's work to  
3 improve the program going forward starting in January.  
4 Thank you.

5 CHAIRPERSON NICHOLS: Thank you.

6 Mr. Carmichael.

7 MR. CARMICHAEL: Good morning, Chairman Nichols,  
8 members of the Board. Good to see you all.

9 Tim Carmichael with the California Natural Gas  
10 Vehicle Coalition. Our industry strongly supports this  
11 program. As the staff's pie chart shows, we're actively  
12 participating in it and contributing credits. We expect  
13 that contribution to grow over time, especially with the  
14 growth of the renewal natural gas in the marketplace. We  
15 appreciate being part of the discussions with the staff on  
16 how we might make this program stronger and more  
17 sustainable beyond 2020. Thank you.

18 CHAIRPERSON NICHOLS: Thank you.

19 Will Barrett.

20 MR. BARRETT: Good morning. I'm Will Barrett  
21 with the American Lung Association of California.

22 I want to first all of thank staff for the  
23 thorough update this morning and the opportunity to  
24 continue to work with you on the LCFS Program Review  
25 Advisory Panel.

1           We appreciate the work that's been going on on  
2 the revisions to the program, and especially in the  
3 thorough discussion of the NOx questions around biodiesel  
4 and think that's really important thing to continue to  
5 hammer out.

6           The American Lung Association and hundreds of our  
7 health partners for clean air strongly support the efforts  
8 to implement and re-adopt the LCFS, which we believe is  
9 now working to basically offer cleaner fuel choices to  
10 California to clean up our air.

11           As part of the broader AB 32 package, the LCFS  
12 sends the signal the transition is underway from healthy  
13 fuels to cleaner options, like electricity, advanced  
14 biofuels, and hydrogen.

15           Just this week, the Energy Commission approved  
16 grants to roll out a growing hydrogen fueling  
17 infrastructure, a good portion of which will be renewable  
18 hydrogen. These ultra low carbon fuels are the outcome of  
19 well-resigned California programs across the board that  
20 are responding to the public's desire for a sustainable  
21 cleaner future.

22           Health groups support the LCFS because the health  
23 impacts of dirty air are costing us billions of dollars  
24 each year in heart attacks, asthma attacks, and premature  
25 deaths. These health impact disproportionately fall on

1 our children, seniors, those with chronic illnesses,  
2 low-income communities, and communities of color.

3 In May, the Lung Association -- we partner with  
4 Environmental Defense Fund to produce the Driving  
5 California Forward report on the health climate and other  
6 societal benefits to fully implementing the LCFS and fuels  
7 in the cap.

8 We found that Californians could avoid over \$10  
9 billion dollars in health and other damages by 2020 and 23  
10 billion in damages by 2025 as these programs spur  
11 healthier fuels going forward. The findings include  
12 significant health benefits to Californians, including 900  
13 avoided deaths and 38,000 avoided asthma attacks, and  
14 75,000 days of work lost, avoided due to respiratory  
15 impacts.

16 As the re-adoption moves forward, we urge the  
17 Board to fully evaluate these types of health benefits in  
18 both the environmental and economic analysis that's going  
19 on. Further, we believe that updating the guidance for  
20 the air quality guidance for citing new biorefineries will  
21 add to the health protective nature of the low carbon fuel  
22 standard.

23 In closing, the LCFS is a critical tool to  
24 protect Californians from unhealthy fuels. The program is  
25 working to deliver clean fuels. And maintaining momentum

1 and a strong signal will save more lives and more money.  
2 We look forward to working with you as the LCFS is  
3 re-adopted in January and to really develop the stronger  
4 signal for post-2020 target as laid out in the Scoping  
5 Plan earlier this year.

6 Thank you very much and have a great day.

7 CHAIRPERSON NICHOLS: Thank you.

8 Timothy O'Connor and then Todd Campbell is our  
9 last witness.

10 MR. O'CONNOR: Good morning, Chair Nichols,  
11 members of the Board.

12 My name is Tim O'Connor. I work for  
13 Environmental Defense Fund. You're being handed -- Will  
14 Barrett from the American Lung Association just referenced  
15 in that report we model what the vehicle mix in California  
16 will be because of policies like the low carbon fuel  
17 standard and including transportation fuels in the cap and  
18 trade program.

19 By comparing what the fleet mix would be without  
20 these programs to what it is with these programs, as Will  
21 mentioned, we modeled the benefits of these policies to be  
22 over \$23 billion between now and 2025.

23 When you look at what that means not just from an  
24 economic savings but really from a health savings, we're  
25 talking about significant opportunities to clean up the

1 air and help communities across California become  
2 healthier and avoid lost work days from having to stay  
3 home because kids are in the hospital or in their bedrooms  
4 with asthma attacks as opposed to on the playgrounds where  
5 they should be.

6 In addition though to these public health and  
7 economic benefits, Environmental Defense Fund has been  
8 looking at the business communities in California that's  
9 been growing because of these policies. While we're  
10 fortunate today to hear from businesses like Green Energy  
11 and Waste Management and Glass Point that are delivering  
12 solutions that capitalize on California's clean  
13 transportation policies, there is hundreds and hundreds  
14 more that can't make the trip up here to talk about them.  
15 The companies like BYD American and Green Automotive and  
16 Motive Power Systems are delivering advancements in zero  
17 emission electric buses where you have kids that are being  
18 dropped off at school in a device that doesn't pollute  
19 them and cause them to get sick as they're running out the  
20 door to go to their classrooms.

21 Similarly, companies like Community Fuels and New  
22 Leaf Fuels are delivering biodiesel throughout California  
23 in ports of Stockton and down in San Diego where we need  
24 more economic development and more jobs.

25 And another company named Edinique is a company

1 that we're recently been profiling in our California  
2 Innovator series, which is delivering actual advancements  
3 in ethanol facilities to improve the efficiency of  
4 producing biofuels. These are companies that wouldn't  
5 exist except for California's clean transportation  
6 policies. There are over 300 of them in California. I'm  
7 sure each of them wish they could come here to the state  
8 and talk about the benefits of these policies. But  
9 they're busy growing their businesses and capitalizing the  
10 opportunities that you and the staff have here have been  
11 able to create.

12 Finally, there was a letter that was sent to  
13 Chair Nichols back earlier this month from 74 economic and  
14 energy experts talking about the benefits of these  
15 policies. And when we look at the fuel diversification  
16 that was mentioned in the staff presentation today, not  
17 only, of course, does it improve the environment of  
18 California, but it improves the economy of California as  
19 we reduce fuel price strikes and reduce volatility and  
20 reduce prices overall. Be happy to submit that to the  
21 Board for consideration today. Thank you very much.

22 CHAIRPERSON NICHOLS: Thank you.

23 MR. CAMPBELL: Good morning. Todd Campbell,  
24 Clean Energy. Clean Energy is a natural gas and renewable  
25 natural fuel provider both for natural over 550 locations

1 across the nation. And a lot of our success in California  
2 is largely due to the policies that this very agency has  
3 promoted to clean the air and lower carbon. And we thank  
4 you for that.

5 Clean Energy, as you know, also has served on all  
6 the advisory committees and participated workshops since  
7 the rule's inception. Clean Energy remains confident the  
8 staff continues to take the necessary steps and  
9 precautions to ensure the program is successful. Clean  
10 Energy supports the Board's re-adoption of the low carbon  
11 fuel standard. And we see it as an opportunity to improve  
12 upon a program that is already delivering low carbon fuels  
13 to market above staff's expectations.

14 Not only is the standard working, low carbon  
15 fuels in the transportation space provide significant  
16 savings. For example, natural gas from renewable natural  
17 gas are delivering about a dollar to \$1.50 in cost savings  
18 per gallon of fuel compared to diesel and gasoline.

19 But to ensure that California continues to meet  
20 its 2020 goal of ten percent less carbon and  
21 transportation fuels, it will be critical for the Board  
22 and staff to enhance market certainty to ensure that we  
23 have the investor confidence to expand low and ultra low  
24 carbon fuel production for generations to come. We want  
25 to do more than ten million gallons last year. We want to

1 get to 150 million gallons the next five years.

2 So, therefore, we recommend that the Board and  
3 staff consider the following recommendations:

4 One, maintain a strong compliance curve through  
5 2020 and establish stronger compliance curves to continue  
6 progress beyond 2020. In fact, investors want to know how  
7 serious California is about low carbon fuels. Sketching  
8 out the Board's and staff's intent to 2030 would be  
9 helpful for low carbon fuel producers in attracting  
10 necessary capital required to meet California's future  
11 goals.

12 Two, adopt transparent and predictable market  
13 rules to ensure the temporary challenges in supply of low  
14 carbon fuels or credits will not disrupt the market. Much  
15 like Waste Management and the Biofuels Association of  
16 California, we too support the price floor to help in the  
17 financing of low carbon fuel production moving forward.

18 Three, allow producers that file new pathway  
19 applications to generate new credits for field delivered  
20 for two calendar quarters prior to the quarter in which  
21 the staff provides written confirmation that the pathway  
22 has been deemed complete.

23 Such an action will ensure the low carbon fuel  
24 producers will have greater confidence when they invest to  
25 provide low carbon fuels to the California market. This

1 action will maximize credit generations for these fuels  
2 that are approved by ARB. The loss of economic value of  
3 credits that can be generated on fuel deliveries made  
4 during pathway application review processes is a very real  
5 concern to producers, and we acknowledge how staff is  
6 working through the applications given the resources.  
7 This compromise would really ease the tension and strain  
8 felt by all involved.

9 I just would conclude Clean Energy is very  
10 committed to the low carbon fuel standard. We're  
11 committed to working with you. We think it's working.  
12 Please keep it up. We want to thank Richard Corey and the  
13 staff's good work in moving us forward.

14 CHAIRPERSON NICHOLS: You get extra time when you  
15 say nice things about staff. Thank you very much.

16 That concludes the list of people that signed up  
17 to testify on this item. As we said at the outset, this  
18 is a work in progress. We're getting ready to launch a  
19 formal consideration of changes to the rule as part of the  
20 process of re-adoption of the rule. I don't think there  
21 is any question that the staff is going to be proposing  
22 re-adoption of the low carbon fuel standard.

23 So the only question is what kinds of  
24 improvements we might want to make. And obviously, we  
25 heard some suggestions designed to strengthen the market

1 for lower carbon fuels and to make the process of credit  
2 trading easier, more transparent, et cetera.

3 Other concerns have been raised. Certainly, also  
4 we know WSPA has concerns about compliance, both in terms  
5 of timing and of cost. And we will have to take all those  
6 things into account as we move forward. But generally  
7 speaking, the report is positive one. And appreciate very  
8 much the good work that went into it.

9 So I think that will conclude this item, unless  
10 anyone feels a necessity to give further comment or  
11 direction on it. If you do, we have a few minutes. We do  
12 have two people who signed up to speak in the public  
13 comment period. Yes.

14 BOARD MEMBER MITCHELL: Madam Chair, if I might  
15 make one comment on the low carbon fuel standard. I want  
16 to thank staff for all the work on this. Richard Corey  
17 and all of you have really been very, very accommodating  
18 and very productive in this regard.

19 One of the concerns, of course, as we know is the  
20 impacts that we might experience from increases in NOx.  
21 And just want to encourage staff to consider a technology  
22 assessment with regard to those adverse NOx impacts. I  
23 think that will be needed as we move forward into  
24 regulation. Thank you.

25 CHAIRPERSON NICHOLS: I think that's part of the

1 work they're planning to do.

2 Yes, Dr. Sperling. The Godfather of low carbon  
3 fuel standard. You don't like that introduction?

4 BOARD MEMBER SPERLING: I like it. I'll go with  
5 that.

6 CHAIRPERSON NICHOLS: It was a complement.

7 BOARD MEMBER SPERLING: Thank you.

8 Just one little thought is, you know, when we  
9 started this whole process with the low carbon fuel  
10 standard, it was really premised on the idea of  
11 innovation. We had -- we really didn't have a very good  
12 idea exactly how it was going to play out. I think we  
13 still really don't have a really good precise idea of how  
14 the goals and targets are going to be met.

15 But we're seeing now more and more companies  
16 coming forward very publicly now saying how important the  
17 LCFS is in terms of simulating them to invest, to  
18 innovate. And that's what we wanted to achieve. So I  
19 mean, it's starting to look like a real success story.  
20 And the BCG study that WSPA gave said they forecast five  
21 percent reduction is possible, likely. I'm not sure  
22 exactly what the word would be for 2020. And you know,  
23 that's kind of interesting because it doesn't include all  
24 the innovative things that we aren't anticipating, like  
25 gas, the solar thing for refineries. Waste Management

1 making a major investment in biogas for vehicles. So  
2 there's a lot of interesting innovative things that are  
3 happening. And that's what this really is all about. So  
4 I just kind of wanted to recognize what we heard today.

5 CHAIRPERSON NICHOLS: Thank you.

6 Yeah, I think it's actually kind of a good  
7 opportunity to have this moment to reflect what we have  
8 accomplished already and in spite of litigation  
9 consternation, et cetera, there is a lot that has been  
10 accomplished. Okay. Great.

11 We do have public comment period at the end of  
12 each meeting. Two people have signed up. They both want  
13 to talk to us about the same topic, corporate disclosure  
14 under the cap and trade regulation. I received some mail  
15 on this, and I suspect other Board members may have as  
16 well. So Ms. Rothrock.

17 MS. ROTHROCK: Thank you, Mr. Chair and members.

18 I'd like to bring to your attention an urgent  
19 matter. As Chairman Nichols mentioned, you may have  
20 received letters in the last few days on this topic. This  
21 regards the requirement in the cap and trade program for  
22 the disclosure of corporate affiliations for those that  
23 are participating in the market.

24 The recent cap and trade regulation greatly  
25 expanded this disclosure requirement to include worldwide

1 affiliations without regard to whether these affiliates  
2 have any connection with the California market. Some  
3 global companies have more than a thousand such entities,  
4 and the volume of information required on each and the  
5 frequency that the information needs to be updated to  
6 reflect any changes or additions is extremely burdensome  
7 and likely impossible to accurately comply with.

8 Another requirement to disclose law firms  
9 providing legal advise we believe runs afoul of basic  
10 rights to seek legal advice on a confidential basis.

11 The rule now in effect and the first reports are  
12 due July 31st. That's just around the corner next week.  
13 This may interfere actually with market operations if  
14 companies can't comply with this regulation and therefore  
15 chose not to participate in future auctions. They take  
16 the responsibilities to be in full compliance with the law  
17 very seriously, and company officers will be very  
18 reluctant to put their names on documents that do not meet  
19 your regulatory requirements.

20 We very much appreciate the staff has been  
21 working on guidance to clarify the requirements and  
22 provide some flexibility. But we can't rely on that  
23 guidance process if it conflicts with the clear meaning of  
24 the regulation. And so therefore, we've sent you the  
25 letter signed by many companies and trade associations

1 asking for the Board or the staff to issue a regulatory  
2 advisory to suspend the regulation long enough to fix the  
3 rule.

4 The regulatory advisory is a process that you've  
5 used during the low carbon fuel standard implementation to  
6 provide the flexibility you need to get that regulation  
7 properly implemented.

8 During the suspension, the pre-existing rule  
9 would be in effect, which does require disclosures that at  
10 least until the recent amendments seemed satisfactory for  
11 the operation of the program.

12 This is very urgent. The implementation requires  
13 us to comply next week. We have experts that are willing  
14 to show up as early as Monday to discuss this further.  
15 Urge your attention to this matter. Thank you very much.

16 CHAIRPERSON NICHOLS: Thank you, Ms. Rothrock.  
17 We might as well listen to Ms. Blixt first and then we'll  
18 give staff an opportunity to comment.

19 MS. BLIXT: Hi. Amber Blitz for the Independent  
20 Energy Producers Association representing over 26,000  
21 megawatts of independently-owned generation in California  
22 here.

23 Like my colleague Ms. Rothrock, I'd like to bring  
24 your attention to the issue related to the most recent  
25 round of cap and trade regulations regarding disclosure of

1 corporate associations. These regulations became  
2 effective July 1st, as the representative from CMTA said,  
3 required registered entities in the cap and trade program  
4 to disclose corporate association, even with corporate  
5 associations with entities that are not registered in the  
6 cap and trade program.

7 Many of the companies that I represent and just  
8 all of the companies that are effected by this have large  
9 and/or complex ownership structures spanning across  
10 multiple continents which makes tracking and reporting and  
11 updating any changes in ownership structure difficult, to  
12 say the least.

13 IP was part of larger coalition that submitted a  
14 letter regarding this issue on June 17th asking for  
15 additional guidance. This week on Monday, July 24th, we  
16 requested CARB to suspend application and enforcement of  
17 these new requirements through a regulatory advisory,  
18 which would give industry more time to comply and work  
19 with staff on amendments that would get the CARB  
20 information that we really think they're after. And then  
21 this would -- without having to disclose their corporate  
22 associations consistent with the existing regs.

23 So we believe that as currently crafted, the  
24 regulation creates an unnecessary administrative burden to  
25 these large and/or complex organizations. And it's not

1 really clear to us what the added value is to the CARB in  
2 collecting this information on non-regulated extraneous  
3 entities, nor is it clear how this information will be  
4 used on a going-forward basis.

5           So like Ms. Rothrock mentioned, with the July  
6 31st deadline looming next week, we just wanted to bring  
7 this to the Board's attention on the issue of the need for  
8 a regulatory advisory that would help the industry and  
9 CARB have more time to work through these issues. So  
10 thank you very much for your attention.

11           CHAIRPERSON NICHOLS: Thank you. As you know,  
12 since this isn't a scheduled agenda item, we can't take  
13 action as a Board on this. But we can certainly express  
14 interest and ask the staff to comment on what's going on.  
15 This issue has come up a couple of times in the past, and  
16 I recall that staff had a pretty firm view that the  
17 information that was being requested was needed for  
18 oversight and enforcement purposes as far as the market is  
19 concerned. But we continue to hear obviously loud  
20 protests, and it appears as though we're cruising towards  
21 some sort of a deadline that now may cause problems.

22           So Ms. Chang, can you give us an update on what  
23 you're thinking?

24           DEPUTY EXECUTIVE OFFICER CHANG: So first I want  
25 to clarify. The regulatory amendments that took effect on

1 July 1st of this year actually relaxed the reporting  
2 requirements for corporate associations. The requirements  
3 to report corporate associations that are not directly  
4 involved in the California market have been in place for  
5 years, and entities that are participating in our auctions  
6 are required to provide us that information and they're  
7 required to update that information before they  
8 participate in auctions. So if there's changes between  
9 auctions, so we've been working with entities on that.

10 And so folks that are participating have been  
11 participating in auctions are probably largely in  
12 compliance with the regulation. They would need to  
13 provide us any updates they have from the last time that  
14 they reported. We are willing to take updates from any  
15 forum that they provide corporate association information  
16 to publicly traded companies provided to the SEC. Some  
17 companies provide it to the PUC. And we've had companies  
18 provide us that information in those formats.

19 I do want the mention that there are  
20 multi-national corporations that have complied with the  
21 regulation and already submitted their information.

22 I would also mention that we understand that the  
23 corporate structures can be very complicated, and we have  
24 staff that have been working individually with companies  
25 and more than happy and willing to work with companies.

1 We don't think a regulatory advisory is necessary at this  
2 time.

3 I was actually going to mention we have staff in  
4 the room now who have been personally involved in  
5 interpreting this and working with companies. If there  
6 are folks here who are interested in talking with them,  
7 they are available.

8 I also want to mention because this gets brought  
9 up a lot why are we asking for all this information and  
10 are we actually using it. There is concern about not just  
11 the folks that are participating within our carbon market,  
12 but the types of fraud that we've seen in recent years has  
13 really involved manipulating another market in order to  
14 have a benefit in a different market.

15 So we've seen that where you may be manipulating  
16 a commodities market in order to gain an advantage in a  
17 derivatives market. So the information that's being  
18 provided is being provided to our market monitor. The  
19 market monitor is using the information for corporate  
20 affiliates that are involved in related markets. So  
21 energy markets, electricity markets, other sorts of  
22 environmental commodities markets. They have algorithms  
23 they use to track what's happening in those markets.

24 The types of fraud that we're concerned about are  
25 things that are happening over long periods of time, so we

1 do need to see trends. Because I know there has been a  
2 discussion about if you see a big blip, maybe you can just  
3 ask for it later. These are really -- and analyses that  
4 we're doing over periods. So I do want to assure folks  
5 that the information isn't just being provided into a  
6 black hole, but we are actually using this information.

7 CHAIRPERSON NICHOLS: Well, that is good to know  
8 in a time when everybody is sensitive about just  
9 collecting excess information.

10 I think on this one, we've been trying to make  
11 this program as streamlined as possible. So it would seem  
12 counter-intuitive to be collecting data that is not  
13 actually needed. But if there is a way to make the  
14 collection process easier, in terms of the amount of  
15 reporting or the frequency of reporting and so forth, that  
16 could be something to think about.

17 DEPUTY EXECUTIVE OFFICER CHANG: That's actually  
18 a good reminder to me. We are going to be proposing  
19 amendments to the cap and trade regulation again because  
20 it was so much fun that would come to the Board in  
21 September. And one of the things that we're planning to  
22 propose in that round of amendments is that for your  
23 corporate affiliates that are not directly involved in the  
24 California market, the reporting would move to annually  
25 instead of quarterly.

1 CHAIRPERSON NICHOLS: Okay. That would certainly  
2 be helpful. Okay. If there are no further comments,  
3 questions from the Board, then I think we have completed  
4 our agenda, and I will accept a motion to adjourn.

5 BOARD MEMBER EISENHUT: So moved.

6 CHAIRPERSON NICHOLS: Seconded. All in favor?

7 (Unanimous vote)

8 CHAIRPERSON NICHOLS: We're adjourned.

9 (Whereupon the Air Resources Board recessed at  
10 11:31 a.m.)  
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