Legislative Fact Sheet

SB 605 (LARA)

Summary

SB 605 meets AB 32 climate pollution objectives while ensuring that pollution reduction efforts are focused in California and benefit the state's economy and environment.

SB 605 also ensures the repayment of the five hundred million dollars Greenhouse Gas Reduction Fund. As available, these funds will be used to assist impacted and disadvantaged communities by financing programs to improve air quality and health beginning January 1, 2014.

Background

In 2006, the Legislature approved the Global Warming Solutions Act (AB 32), which seeks to reduce greenhouse gas (GHG) emissions to the 1990 levels by 2020.

AB 32 expressly requires that the California Air Resources Board (ARB) "maximize the total benefits to California, and encourages early action to reduce GHG's" [Health and Safety Code Section 38562 (b)(1). It further prohibits the ARB from adopting market based compliance mechanisms like cap and trade and the low-carbon fuel standard (LCFS) unless it takes into account "localized impacts on communities already impacted by air pollution " [Health and safety Code Section 38570 (b)(1)].

Over the past six years, the California Air Resources Board has implemented several market-based mechanisms that are intended to reduce greenhouse gas emissions – such as cap and trade and the LCFS. It is anticipated that these measures alone will account for over 40 MMTE (nearly 40%) of the reductions needed to meet the goals of AB 32.

Problem

The reliance on market-based systems can lead to emission reductions, but unfortunately not always in California and not for disadvantaged communities or areas hardest hit by pollution. Recently, Shell, which owns two oil refineries and numerous other high polluting facilities in the state, purchased 500,000 California forest carbon credits to meet its AB 32 obligations – an offset based on the purchase of an existing forest in Michigan.

While this action is allowed under California's cap and trade program, it does nothing to reduce GHG's or air pollution in California. It creates no jobs, makes no in-state investment, or results in any new environmental benefits. Instead, it allows an industry to maintain or increase its emission reductions in California and worsen the health of our vulnerable populations.

The 2013-14 budget borrowed $500 million from the Greenhouse Gas Reduction Fund (Fund). Supported by cap and trade revenue, the Fund is intended to provide revenue to programs that reduce greenhouse gas emissions and improve air quality. The elimination of these funds further jeopardizes Californians living in areas hardest hit by poor air quality.

California has some of the poorest and most polluted regions in the country. Many Californians live in areas that are impacted by multiple sources of air pollution – making these communities highly vulnerable to high rates of illness and birth defects. Efforts to reduce GHG's and improve air quality should emphasize these areas first.

Solution

SB 605 is intended to bring some of those environmental and economic benefits back home. The bill requires the ARB, as it updates the AB 32 scoping plan this year, to focus pollution reductions first and foremost in California, to require sources of pollution to achieve the maximum technologically feasible and cost-effective pollution reductions, and, where those reductions are NOT feasible and cost-effective, to use cap and trade and other clean energy funds to achieve those pollution reductions.

The bill protects funding in the Greenhouse Gas Reduction Fund by ensuring that it is used pursuant to the goals of AB 32. It will also ensure that as the Fund is repaid; those funds are prioritized to disadvantaged communities first – not to exceed $125 million.

The changes proposed by SB 605 are common sense, benefit California and its citizens first, but makes no compromise on GHG emission reductions.

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