

## Assembly Bill 32 takes shape in California

In front of national and international dignitaries who have been leaders in the fight against global climate change, Governor Arnold Schwarzenegger signed AB 32 into law in 2006. The landmark California legislation establishes regulatory and market mechanisms to achieve real, quantifiable, cost-effective reductions of greenhouse gases.

AB 32 requires the California Air Resources Board (CARB) to develop and implement new laws specific to regulating greenhouse gas emissions. Beginning in 2012 the state will enforce a cap-and-trade system to ratchet down its carbon emissions to 1990 levels by 2020. In the interim, CARB must establish reporting and monitoring rules for those industries it determines as significant sources of greenhouse gas emissions. The law has also given CARB the authority to formulate several trucking regulations aimed at curbing motor vehicle emissions, including the state's truck retrofit rule, which will require truck owners to install diesel exhaust filters on their rigs by Jan 1, 2011.

With respect to offsets, AB 32 is more quantitatively conservative than what is stipulated at the federal level in the Kerry-Boxer bill. While the Kerry-Boxer bill would allow approximately 30% of an entity's compliance obligation to come from offset credits, the state of California would only permit up to a 4% use of offsets annually. On a more positive note, AB 32's Preliminary Draft Regulation, released in late 2009, encourages the state's cap-and-trade system to link with other carbon standards and programs. If this type of market fungibility materializes, CRTs from the Climate Action Reserve and offset credits from the future Western Climate Initiative would be prime candidates for linking into AB 32.

AB 32 has not been without its opposition. Nearly a year ago, Republican Assemblyman Dan Logue offered a new bill, AB 118, meant to repeal AB 32 by suspending its implementation until the California unemployment rate returns to 5.5% for a full year. When AB 32 was signed in 2006, California had a much lower unemployment rate of 4.8%. In a huge win for environmental advocates, the Assembly Natural Resources Committee finally voted on AB 118 this past Monday, and rejected the measure by a vote of 6-3. The Committee cited that AB 118 would have jeopardized public health and the environment, and it would have imposed economic harm at a time when California is already struggling to regain its financial footing.

While the rejection of AB 118 marks one more step toward implementing AB 32, the legislation is not safely out of the woods just yet. The battle continues in 2010 as Meg Whitman, the former CEO of eBay and staunch opponent of AB 32 has made canning the measure a cornerstone of her candidacy for California Governor.

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