3. Finance EBR

DEPARTMENT OF FINANCE ENROLLED BILL REPORT

AMENDMENT DATE: June 28, 2002
RECOMMENDATION: Sign

BILL NUMBER: AB 1493
AUTHOR: F. Pavley

ASSEMBLY: 41/30
SENATE: 23/16

BILL SUMMARY: Vehicular Emissions: Greenhouse Gases

This bill would require the Air Resources Board (Air Board) to develop and adopt regulations, by January 1, 2005, that achieve the maximum feasible and cost-effective reduction of greenhouse gas emissions from motor vehicles in California while affording manufacturers a maximum level of flexibility for compliance. The regulations would not be allowed to go into effect before January 1, 2006. The Air Board would be required to submit to the Legislature, by January 1, 2005, a report summarizing the regulations.

FISCAL SUMMARY

The Air Board estimates annual costs of $100,000 Motor Vehicle Account (MVA) and 1.0 position to develop the regulations and implement the program. The Air Board reports that any costs beyond $100,000 would be absorbed within existing funds.

The Energy Resources Conservation and Development Commission (Energy Commission) reports minor, absorbable costs.

COMMENTS

Finance recommends that this bill be signed to help reduce greenhouse gas emissions; however, it could have potentially significant effects on the economy, and the automobile industry in particular.

(Continued)

Analyst/Principal (6623) R. Dean	Date 7/8/02	Program Budget Manager Fred Klass	Date 7/8/02
Department Director	Date 7/10/02		

ENROLLED BILL REPORT
RES :AB1493-4957 7/8/2002 9:37 AM

AUTHOR	AMENDMENT DATE	BILL NUMBER
F. Pavley	June 28, 2002	AB 1493

ANALYSIS

A. Programmatic Analysis

There are six greenhouse gases: carbon dioxide, nitrous oxide, methane, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride, of which carbon dioxide is the most prevalent. These gases raise the temperature of the earth by trapping the sun's heat in the lower atmosphere, which can lead to changes in sea level, water supplies, and crop production. Currently, the Air Board does not regulate greenhouse gas emissions. Although smog-forming emissions from vehicles have been decreasing, greenhouse gas emissions from vehicles have increased and are likely to continue to increase without reasonable standards.

This bill would require the Air Board to promulgate regulations, by January 1, 2005, that would lead to a reduction of greenhouse gas emissions. The regulations would not be allowed to go into effect before January 1, 2006, and could only affect vehicles manufactured for the 2009 model year and later. In developing the regulations, the Air Board would be required to conduct public workshops, with at least three workshops in communities with the most significant exposure to air pollution, including communities with minority and low-income populations. The Air Board would be required to submit to the Legislature, by January 1, 2005, a report summarizing the regulations.

Within 10 days of adoption, the Air Board would be required to transmit the regulations to the Legislature. The Legislature would be required to hold at least one public hearing to review the regulations and may adopt legislation to modify them.

In order to help allay automotive industry concerns, sport utility vehicles would not be banned and manufacturers would be allowed flexibility in meeting the standards. Also, the regulations could not impose additional fees or taxes, reduce vehicle weight or the speed limit, or limit vehicle miles traveled. However, the automotive industry still opposes the bill because of concerns that regulation of greenhouse gases would lead to higher vehicle costs. The Air Board argues that if costs do increase, the extra initial cost could be defrayed through lower costs to operate a vehicle over its lifetime. Also, the regulations would be developed through a public process and would be required to be cost-effective.

The industry also argues that the problems of global warming cannot be solved by California regulations alone. The representatives assert that the problem is worldwide in scope and should therefore be addressed by the federal government in cooperation with international trade and environmental organizations.

The California Climate Action Registry (CCAR) allows parties that emit greenhouse gases to voluntarily register emissions with the State to create a record for future regulations that may require greenhouse gas emission reductions. CCAR is scheduled to start operations in 2003. This bill would require CCAR to adopt procedures and protocols, in consultation with the Air Board, for the reporting and certification of greenhouse gas emission reductions for those reductions achieved prior to the effective date of the regulations required by this bill.

(Continued)

AUTHOR	AMENDMENT DATE	BILL NUMBER
F. Pavley	June 28, 2002	AB 1493

ANALYSIS (Continued)

B. Fiscal Analysis

The Air Board advises that it could include the greenhouse gas regulations process as part of the passenger vehicle emission regulations that are expected in 2004-05. Also, greenhouse gas data already are collected. Therefore, the bill would cause only an incremental addition to work in progress, and the Air Board advises that the mandates could be met with $100,000 MVA and 1.0 position. The Air Board reports that any costs exceeding $100,000 could be absorbed.

The Energy Commission reports that CCAR activities could be absorbed within current resources.

Code/Department Agency or Revenue Type	SO LA CO RV	PROP 98	FC	(Fiscal Impact by Fiscal Year) (Dollars in Thousands) 2002-2003	FC	2003-2004	FC	2004-2005	Fund Code
3360/Energy Comm	SO	No		No/Minor Fiscal Impact					0001
3900/Air Res Bd	SO	No	C	$50	C	$100	C	$100	0044

Fund Code	Title
0001	General Fund
0044	Motor Vehicle Account, STF