

BILL ANALYSIS

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CONCURRENCE IN SENATE AMENDMENTS
AB 1007 (Pavley)
As Amended September 2, 2005
Majority vote

ASSEMBLY:	49-27 (June 2, 2005)	SENATE:	25-11 (September 6, 2005)
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Original Committee Reference: TRANS.

SUMMARY : Requires the development of recommendations for a state plan to increase the use of alternative transportation fuels.

The Senate amendments :

- 1)Assign lead responsibility for developing the recommendations to the California Energy Commission (CEC) rather than the Air Resources Board (ARB).
- 2)Require the plan to be developed and adopted not later than June 30, 2007.
- 3)Remove the requirement that the state plan reduce air toxics.
- 4)Require the plan to consider issues related to consumer acceptance and costs and identify methods to overcome any barriers to alternative fuel use.
- 5)Require the plan to be consistent with existing or future ARB regulations.
- 6)Require the benefits of the plan to be achieved in the most cost-effective manner possible.
- 7)Require the plan to consider issues related to consumer acceptance and costs and to identify methods to overcome any barriers to alternative fuel use.
- 8)Delete the provision that would have allowed ARB to consider the state's need to increase fuel diversity and reduce dependence of petroleum when adopting any regulations to

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reduce air pollution.

- 9)Specify that alternative fuels must be of a nonpetroleum nature but allow them to include petroleum fuel blended with nonpetroleum constituents, such as E85 or B20.
- 10)Define "full fuel-cycle assessment," for the purposes of this bill, to mean evaluating and comparing the full environmental and health impacts of each step in the life cycle of a fuel, including, but not limited to, all of the following:
 - a) Feedstock extraction, transport, and storage;
 - b) Fuel production, distribution, transport, and storage; and,
 - c) Vehicle operation, including refueling, combustion or conversion, and evaporation.

EXISTING LAW makes ARB responsible for the control of emissions from motor vehicles and the coordination, encouragement, and review of the efforts of all levels of government as they affect air quality.

AS PASSED BY THE ASSEMBLY , this bill:

- 1)Made legislative findings and declarations regarding the public health and environmental impacts of the use of petroleum fuels and the potential benefits of research, development, and commercialization of alternative fuels in California.
- 2)Required ARB, in consultation with the specified state agencies, to develop a state plan to increase the use of alternative transportation fuels.
- 3)Required the plan to include an evaluation of alternative

fuels on a full fuel cycle assessment of emissions of criteria air pollutants, air toxics, greenhouse gasses, water pollutants, and other substances that are known to damage human health, impacts on petroleum consumption, and other matters that ARB deems necessary.

- 4) Required the plan to set goals for the years 2012, 2017, and 2022 for increased alternative fuel use that: maximizes the

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environmental and public health benefits of alternative fuels, (including, but not limited to, reductions in greenhouse gases and specified pollutants); ensures that there is no net increase in any health hazards; minimizes the economic costs to the state, if any; and maximizes the economic benefits of producing alternative fuels in the state.

- 5) Required the plan to recommend policies to ensure alternative fuel goals are attained, including, but not limited to: standards on transportation fuels and vehicles; policy mechanisms to ensure that vehicles capable of operating on these fuels use them to the maximum extent feasible; policy mechanisms to ensure that alternative fuel fueling stations are available; and, mechanisms to encourage vehicles that use alternative fuel.

- 6) Allowed ARB to consider the state's need to increase fuel diversity and reduce dependence of petroleum when adopting any regulations to reduce air pollution.

- 7) Defined "alternative fuel," for the purposes of this bill, to mean a fuel, including electricity, ethanol, biodiesel, hydrogen, methanol, or natural gas that, when used in vehicles, has the ability to meet applicable vehicular emission standards.

FISCAL EFFECT : According to the Senate Appropriations Committee analysis, ARB will have annual costs of \$250,000 in fiscal years (FYS) 2005-06 and 06-07 and the State Water Resources Control Board will have annual costs of \$150,000 in FYS 05-06 and 06-07. Costs to the Department of Food and Agriculture and CEC will be minor and absorbable. (This analysis was performed before the roles of ARB and CEC were reversed by late amendments to the bill.)

COMMENTS : The author states that there is no statutory provision allowing the state to plan for a transition to the use of clean-burning alternative fuels. As demand for petroleum-based products increases and their supply becomes more uncertain, such planning becomes more important.

Supporters cite a 2003 ARB report which recommended that the state adopt goals for the use of non-petroleum fuels of 20% by 2020 and 30% by 2030. They also point out that oil dependency has negative impacts beyond issues such as air quality and

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global warming, including oil spills and leaks. They feel it is necessary for the state to make a sustained, long-term commitment to transportation fuel diversity and alternative fuels, as would be accomplished by this bill.

The Western States Petroleum Association (WSPA) argues that this bill will "interfere in a market that is succeeding on its own, needlessly discourage essential investment in California's petroleum infrastructure, and repudiate the long standing ARB policy that all regulations be fuel neutral." WSPA contends that California's energy future will require a mix of resource strategies, including petroleum products, in addition to alternative fuels and energy conservation measures.

Clearly, in the current environment, it is difficult to envision how an aggressive effort to promote alternative fuels would compromise the ability of the petroleum industry to sell all of the product it is able to produce. Burgeoning demand, both domestically and overseas, threatens to overwhelm the ability of the industry to keep pace. (Crude oil prices in excess of \$30 a barrel were, until recently, almost unheard of. Now they hover between \$60 and \$70.) Any move to develop alternative fuels is almost certain to supplement, rather than supplant, domestic use of petroleum-based products.

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