

SENATE THIRD READING
 SB 1425 (Pavley)
 As Amended August 19, 2016
 Majority vote

SENATE VOTE: 26-11

Committee	Votes	Ayes	Noes
Natural Resources	9-0	Williams, Jones, Cristina Garcia, Gomez, Hadley, Harper, McCarty, Mark Stone, Wood	
Appropriations	11-4	Gonzalez, Bloom, Bonilla, Bonta, Eggman, Eduardo Garcia, Quirk, Santiago, Weber, Wood, McCarty	Bigelow, Chang, Jones, Obernolte

SUMMARY: Requires the California Environmental Protection Agency (CalEPA) to develop a registry of greenhouse gas (GHG) emissions resulting from the water-energy nexus. Specifically, **this bill:**

- 1) Requires CalEPA, in consultation with other relevant state agencies and through a public stakeholder process, to develop and administer a registry of GHG emissions resulting from the water-energy nexus using the best available data.
- 2) States that participation in the registry is voluntary and open to any entity conducting business in the state. Authorizes a participating entity to register its emissions, including emissions generated outside the state, or an entity-wide basis and to use the services of the Registry.
- 3) Authorizes CalEPA to enter into a contract with a qualified nonprofit organization to develop and implement the registry. Limits the duration of the contract to three years, with the option for a one year extension.
- 4) Requires CalEPA or the nonprofit organization to:
 - a) Help participating entities establish emissions baselines;
 - b) Encourage voluntary actions to increase water and energy efficiency measures to reduce the carbon intensity of the state's water system;
 - c) Enable participating entities to record voluntary entity-wide GHG emissions reductions in a consistent format that is supported by third-party verification;
 - d) Recognize, publicize, and promote participating entities making voluntary reductions of GHG emissions;
 - e) Recruit broad participation in the registry from all economic sectors and regions in the state; and,

- f) Facilitate streamlined data reporting for relevant entities already reporting to the Climate Registry.

EXISTING LAW, under the California Global Warming Solutions Act of 2006 (AB 32 (Núñez), Chapter 488):

- 1) Requires ARB to determine the 1990 statewide GHG emissions level and approve a statewide GHG emissions limit that is equivalent to that level to be achieved by 2020.
- 2) Requires the Air Resources Board (ARB) to adopt regulations to require the reporting and verification of statewide GHG emissions and requires those regulations, where appropriate and to the maximum extent feasible, to incorporate the standards and protocols developed by the California Climate Action Registry.
- 3) Specifies that entities that voluntarily participated in the California Climate Action Registry prior to December 31, 2006, and have developed a GHG emissions reporting program, are not required to significantly alter their reporting or verification program, except as necessary to ensure complete and accurate reporting.

FISCAL EFFECT: According to the Assembly Appropriations Committee, this bill has annual ongoing costs of approximately \$130,000 for CalEPA to oversee the development of the registry (General Fund or special fund). CalEPA estimates annual contracting costs of \$250,000 for three years or more (General Fund or special fund).

COMMENTS: SB 1771 (Sher), Chapter 1018, Statutes of 2000, required the Secretary of the Resources Agency to establish the California Climate Action Registry as a public benefit nonprofit corporation that would record and register voluntary GHG emission reductions made by California entities after 1990. The bill required the registry to perform various functions, including adopting standards for verifying emissions reductions; adopting a list of approved auditors that would verify emissions reductions; establishing emissions reduction goals; designing and implementing efficiency improvement plans; maintaining a record of all emissions baselines and reductions; and, recognizing, publicizing, and promoting entities that participate in the registry. SB 1771 established a governing board comprised of the Secretary of the Resources Agency, the Secretary of Environmental Protection, and five public members appointed by the Governor.

The California Climate Action Registry was required to, among other things: 1) help various entities in the state to establish emissions baselines; 2) encourage voluntary actions to increase energy efficiency and reduce GHG emissions; 3) enable participating entities to record voluntary GHG emissions reductions made after 1990 in a consistent format that is supported by third-party verification; 4) ensure that sources in the state receive appropriate consideration for verified emissions reductions under any future federal regulatory regime relating to GHG emissions; 5) recognize, publicize, and promote registrants making voluntary reductions; and, 6) recruit broad participation in the process from all economic sectors and regions of the state.

The California Climate Action Registry closed in December 2010. The Climate Registry formed as the successor agency to the California Climate Action Registry. The Climate Registry is a nonprofit organization, whose board of directors comprises over 50 representatives from United States (U.S.) states and Canadian provinces and territories. It offers tools and services for

organizations to measure, verify, and report the carbon in their operations. This bill is modeled after the California Climate Action Registry.

According to the California Energy Commission (CEC), water-related energy use in California consumes approximately 20% of the state's electricity and 30% of the state's non-power plant natural gas (i.e., natural gas not used to produce electricity). The water sector uses electricity to pump, treat, transport, deliver, and heat water. CEC also found that the most energy intensive uses of water in California are associated with end uses by the customer (e.g., heating, processing, and pressurizing water) and that 75% of the electricity and nearly all of the natural gas use related to water in California is associated with water heating. The state's ongoing drought is expected to cause increases in groundwater pumping, water treatment, and water recycling, which could further increase energy use associated with water.

Electric utilities are required to disclose the sources of the electricity they sell. However, this requirement does not extend to water utilities that are not retail electricity providers. An April 2015 report from the Union of Concerned Scientists, *Clean Energy Opportunities in California's Water Sector*, reports that although some water and wastewater utilities independently report the sources of their electricity, the information is not compiled in a standardized format or updated on a regular schedule across the water sector.

The report states that the data gap makes it difficult to get a clear picture of the amount and type of electricity California's water and wastewater utilities rely on and that this information gap makes it difficult to understand how the water sector's electricity choices impact GHG emissions and the state's efforts to decarbonize the electricity sector.

According to the author, this bill establishes a voluntary emissions repository for projects that reduce the carbon intensity of California's water system. This new registry will allow for entities such as water agencies, large water consumers, businesses and others to voluntarily track, measure, and baseline their GHG emissions resulting from the water-energy nexus.

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