

3. Finance EBR

AMENDMENT DATE: August 29, 2000
RECOMMENDATION: Veto

BILL NUMBER: SB 1771
AUTHOR: B. Sher
RELATED BILLS: SB 1253

ASSEMBLY: 46/30
SENATE: 23/13

BILL SUMMARY: Inventory of Greenhouse Gas Emission Reductions

SB 1771 requires the Secretary of the Resources Agency to establish a nonprofit public benefit corporation, the California Climate Action Registry (registry), that would administer, record, and register voluntary greenhouse gas emission reductions made by California entities after 1990. In addition, the bill assigns specific responsibilities to the State Energy Resources Conservation and Development Commission (Energy Commission) pertaining to the work of the registry and to periodically update an inventory of greenhouse gas emissions.

FISCAL SUMMARY

The bill requires the registry to adopt a fee schedule and, after an initial startup period, charge participants for registry services to cover the costs of its operation. However, the bill does not define "initial startup period" nor does it specify a funding source for the startup period. The Energy Commission estimates initial startup costs of \$825,000 Energy Resources Programs Account (ERPA) and 5.0 staff for its workload associated with the registry, but the cost to update the inventory of greenhouse gas emissions on a five-year basis would be minor and absorbable. No cost information is available from the Resources Agency; however, because the registry can hire an executive director and staff, Finance assumes the additional initial costs will exceed \$250,000.

COMMENTS

While the proposed registry may have merit, Finance recommends vetoing this bill because:

- The development of a registry may be premature until, and unless, federal requirements are imposed on California.
- It is unclear if the number of potential participants is sufficient to absorb the costs of the registry at reasonable fee levels.
- Currently, the ERPA reserve balance is not sufficient to fund the estimated initial costs of the bill.

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Analyst/Principal (0621) R. Dean	Date 9/13/00	Program Budget Manager Fred Klass	Date 9/13/00
Department Director A. Friedman	Date 9/11/00		

ENROLLED BILL REPORT

Form DE-43 (Rev. 03/95 Pink)

RES:SB1771-13921 9/7/00 8:44 AM

B. Sher

August 29, 2000

SB 1771

ANALYSIS

A. Programmatic Analysis

The Energy Commission is vested with broad responsibilities for energy efficiency, reliability, and independence. In 1991, the Commission completed its first report on global climate change impacts pursuant to Chapter 1505, Statutes of 1988. The Commission completed the state's second California Global Climate Change Report in 1997, which also updated the state's greenhouse gas emissions inventory. This report was funded under the U.S. Environmental Protection Agency Federal/State Climate Partnership Program.

This bill establishes two requirements: (1) a registry whereby California entities may record and register voluntary greenhouse gas emission reductions made after 1990, and (2) an inventory of greenhouse gas emissions from all sources located in the state.

Registry

While debate continues over the existence, cause, and effects of global warming, many experts agree that global warming—the rise in the average temperature of the earth's climate due to a build-up of greenhouse gases in the atmosphere—is occurring and that measures should be taken to address its effects. Citing that it is in the best interest of the state to achieve economically beneficial reductions of greenhouse gas emissions and that mandatory reduction requirements may be imposed on California, this bill requires the Resources Agency to establish and administer a registry of voluntary greenhouse gas emission reductions realized by California entities after 1990.

According to the Resources Agency, the business community believes that the registry will serve as an enticement to encourage voluntary reductions in emissions because businesses would make voluntary reductions in lieu of more stringent reduction requirements that could be imposed if regulations are adopted as a result of federal mandates. Also, the Agency noted that businesses whose names would be included in the registry view the registry as a positive public relations benefit.

In addition to requiring the formation of the registry, which would be governed by a seven-member board of directors comprised of the Secretaries of the Resources Agency and the California Environmental Protection Agency, or their designees, and five public members appointed by the Governor, the bill would:

- Specify that participation in the registry is voluntary but participants must hire, at their expense, a third-party organization qualified to independently verify and attest to the accuracy of the emission results reported to the registry.

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B. Sher

August 29, 2000

SB 1771

ANALYSIS (Continued)**A. Programmatic Analysis (Continued)**

- Require the registry to adopt a schedule of fees and, after an initial startup period, charge participants for registry services to cover the costs of its operations, and to perform certain specified functions, in coordination with the Energy Commission, including the preparation, adoption and periodic update of lists of technical advice providers, qualified independent auditing firms, and organizations to measure, test, and verify emission results.
- Establish procedures for monitoring, reporting, and verifying greenhouse gas emissions.
- Establish specific responsibilities and reporting requirements for the Energy Commission relating to the works of the registry.

Inventory

This bill also would require the Energy Commission, in consultation with state agencies having jurisdiction over matters affecting climate change, to update the inventory of greenhouse gas emissions from all sources located in the state. This inventory would be required by January 1, 2002 and every five years thereafter.

This inventory was the subject of SB 1253, which was vetoed by the Governor last fall. In his veto message, the Governor stated that the bill was unnecessary because the Energy Commission already has developed and updated an inventory of greenhouse emission sources within the state. Moreover, the same issue was the subject of SB 1941 (1998), which was also vetoed because of its duplicative nature.

The Resources Agency has indicated that no timeline has been established regarding the release of federally mandated greenhouse gas emission reduction requirements. Moreover, no information is available to indicate the nature of the requirements, including what information will be required to document reductions or the manner in which the requirements can be met. Consequently, establishing the registry at this time would be premature. Moreover, without information on the character of the mandates, we cannot assess the benefits of the registry in comparison to the potential resource needs cited by the Energy Commission.

We also note that in the absence of information showing interest in the registry, fees may not be adequate to cover the costs of the registry's operation.

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B. Sher

August 29, 2000

SB 1771

ANALYSIS (Continued)

B. Fiscal Analysis

The Air Board, Department of Transportation, California Integrated Waste Management Board, Department of Forestry and Fire Protection, State Water Resources Control Board and Energy Commission advise that the costs of updating the inventory of greenhouse gas emissions will be minor and absorbable.

The Energy Commission estimates an initial startup need of \$825,000 (\$325,000 to fund 5.0 positions plus \$500,000 in consultant services) to perform its mandate responsibilities for the registry. Finance has not obtained any cost information from the Resources Agency, but assumes the registry's staffing and related initial startup costs will exceed \$250,000. Available ERPA revenues are not sufficient to cover these costs.

Code/Department Agency or Revenue Type	SO		(Fiscal Impact by Fiscal Year)				Fund Code		
	LA	CO	(Dollars in Thousands)						
	RV	PROP	98	FC	2000-2001	FC	2001-2002	FC	2002-2003
0540/Secty Res	SO	No			Unknown				0465
0555/Environ Prot	SO	No			No/Minor Fiscal Impact				0465
2660/Caltrans	SO	No			No/Minor Fiscal Impact				0042
3360/Energy Comm	SO	No		C	\$413	C	\$825		0465
3540/Forest&Fire	SO	No			No/Minor Fiscal Impact				0001
3900/Air Res Bd	SO	No			No/Minor Fiscal Impact				0044
3910/Waste Mgmt	SO	No			No/Minor Fiscal Impact				0387
3940/SWRCB	SO	No			No/Minor Fiscal Impact				0001

Fund Code	Title
0001	General Fund
0042	Highway Account, State, STF
0044	Motor Vehicle Account, STF
0387	Integrated Waste Management Account
0465	Energy Resources Programs Account

SUGGESTED VETO MESSAGE

SB 1771

(as amended August 29, 2000)

I am returning Senate Bill No. 1771 without my signature.

This bill would require the Secretary of the Resources Agency to establish a nonprofit public benefit corporation, the California Climate Action Registry (registry) that would administer, record, and register voluntary greenhouse gas emission reductions made by California entities after 1990. In addition, the bill assigns specific responsibilities to the State Energy Resources Conservation and Development Commission (Energy Commission) pertaining to the work of the registry and to periodically update an inventory of greenhouse gas emissions.

This bill is unnecessary. As I previously stated in my veto message of Senate Bill No. 1253, the Energy Commission has already developed and updated an inventory of the sources of greenhouse emissions within the state and, according to the Commission, California is already well below the national average for generating greenhouse gas on a per capita basis. Moreover, because no federally mandated greenhouse gas emissions reduction requirements have been imposed on California, the development of a formal registry would be premature until and unless the nature of the federal requirements are known and what information is needed to meet the requirements.