
UNFINISHED BUSINESS

Bill No: SB 1425
Author: Pavley (D)
Amended: 8/19/16
Vote: 21

SENATE ENVIRONMENTAL QUALITY COMMITTEE: 5-0, 4/6/16
AYES: Wieckowski, Bates, Hill, Leno, Pavley
NO VOTE RECORDED: Gaines, Jackson

SENATE APPROPRIATIONS COMMITTEE: 6-1, 5/27/16
AYES: Lara, Bates, Beall, Hill, McGuire, Mendoza
NOES: Nielsen

SENATE FLOOR: 26-11, 5/31/16
AYES: Allen, Bates, Beall, Block, De León, Glazer, Hall, Hancock, Hernandez,
Hertzberg, Hill, Hueso, Jackson, Lara, Leno, Leyva, Liu, McGuire, Mendoza,
Mitchell, Monning, Pan, Pavley, Roth, Wieckowski, Wolk
NOES: Anderson, Berryhill, Fuller, Gaines, Huff, Moorlach, Morrell, Nguyen,
Nielsen, Stone, Vidak
NO VOTE RECORDED: Cannella, Galgiani, Runner

ASSEMBLY FLOOR: 53-22, 8/24/16 - See last page for vote

SUBJECT: Water-energy nexus registry

SOURCE: Author

DIGEST: This bill requires the California Environmental Protection Agency (CalEPA) to develop and administer a registry of greenhouse gas (GHG) emissions resulting from the water-energy nexus using the best available data.

Assembly Amendments remove intent language, require CalEPA instead of the California Air Resources Board (ARB), to oversee development of the registry, authorizes CalEPA to enter into a contract with a qualified nonprofit organization

to develop the registry, and provide that entities participating in the registry may qualify for GHG emission reduction financing opportunities.

ANALYSIS:

Existing law:

- 1) Enacts the California Global Warming Solutions Act of 2006 (Health and Safety Code §38500 et seq.), which:
 - a) Requires ARB to determine the 1990 GHG emissions level and approve a statewide GHG emissions limit that is equivalent to that level, to be achieved by 2020.
 - b) Requires ARB to adopt, before January 1, 2008, regulations to require the reporting and verification of statewide greenhouse gas emissions and requires those regulations, where appropriate and to the maximum extent feasible, incorporate the standards and protocols developed by the California Climate Action Registry.
 - c) Specifies that entities that voluntarily participated in the California Climate Action Registry prior to December 31, 2006, and have developed a greenhouse gas emissions reporting program, are not required to significantly alter their reporting or verification program, except as necessary to ensure complete and accurate reporting.
- 2) Requires moneys from the Greenhouse Gas Reduction Fund (GGRF) be used to facilitate the achievement of reductions of GHG emissions in this state consistent with the California Global Warming Solutions Act of 2006 , and authorizes the use of GGRF monies for, among other things, funding to reduce GHG emissions associated with water use and supply. (HSC §39712)

This bill:

- 1) Requires CalEPA to oversee the development of a registry for GHG emissions that result 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.

- 3) 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.
- 4) Provides that CalEPA may enter into a contract with a qualified nonprofit to develop, in consultation with CalEPA and other state agencies, the registry through a public stakeholder process and do all of the following:
 - 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.
- 5) Provides that the contract with a qualified nonprofit organization is limited to three years with the option for a one-year extension.
- 6) Provides that entities participating in the registry may qualify for GHG emission reduction incentives.

Background

- 1) *The Climate Registry*. 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 greenhouse gas 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 for the registry made up 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 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 U.S. states and Canadian provinces and territories. The Climate Registry offers tools and services for organizations to measure, verify and report the carbon in their operations.

- 2) *Water, energy use, and GHGs.* According to the California Energy Resources Conservation and Development 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 (natural gas not used to produce electricity). The water sector uses electricity to pump, treat, transport, deliver, and heat water. The 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 75% of the electricity and nearly all of the natural gas use related to water in California is associated with water heating. Additionally, expected increases in groundwater pumping, water treatment, and water recycling, due to drought conditions in the state, mean the energy intensity of water will likely increase.

State law requires electric utilities 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 titled, *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.

Because of this data gap, the report states that it is 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 global warming emissions and the state's efforts to decarbonize the electricity sector.

Comments

- 1) *Purpose of Bill.* According to the author, “Energy and water are intricately connected, and there is an enormous amount of energy embedded in our water supply - from the collection, production, transport, treatment and delivery of water; to the direct consumption of water; to the collection, treatment, and disposal or reuse of wastewater. Nearly 20 percent of California’s energy supply is used to move, heat, and treat water.

“While some of the water-energy related climate pollution is already covered in the state’s cap-and-trade program (via the electricity generation sector), the state does not currently have a clear accounting of the total greenhouse gas emissions associated with the water system. Thus, water suppliers, treaters, distributors and end users currently lack the information and opportunity to do their part in voluntarily advancing our climate and water conservation goals.

“SB 1425 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 greenhouse gas emissions resulting from the water-energy nexus.”

- 2) *Based on the California Climate Action Registry.* The California Climate Action Registry established by SB 1771 (Sher) was required to, among other things: a) help various entities in the state to establish emissions baselines; b) encourage voluntary actions to increase energy efficiency and reduce GHG emissions; c) enable participating entities to record voluntary GHG emissions reductions made after 1990 in a consistent format that is supported by third-party verification; d) ensure that sources in the state receive appropriate consideration for verified emissions reductions under any future federal regulatory regime relating to greenhouse gas emissions; e) recognize, publicize, and promote registrants making voluntary reductions; and f) recruit broad participation in the process from all economic sectors and regions of the state.

SB 1425 contains similar requirements for the development and administration of the water-energy nexus registry as were required by SB 1771 (Sher), which originally established the California Climate Action Registry.

Related/Prior Legislation

SB 471 (Pavley, 2015) would have required ARB, in cooperation with other state agencies, to develop a GHG emissions inventory from the water system in the

state. SB 471 was later amended to establish a grant and loan program for water projects that result in the net reduction of GHG emissions. SB 471 was held on the Assembly Appropriations suspense file.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

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).

SUPPORT: (Verified 8/24/16)

California League of Conservation Voters
 Clean Water Action
 Environment California
 Environmental Entrepreneurs (E2)
 Lutheran Office of Public Policy, California
 Mono Lake Committee
 Sonoma County Water Agency
 The Climate Registry
 Tree People
 Union of Concerned Scientists
 US Green Building Council, California Chapter
 Wholly H2O

OPPOSITION: (Verified 8/24/16)

None received

ASSEMBLY FLOOR: 53-22, 8/24/16

AYES: Alejo, Arambula, Atkins, Baker, Bloom, Bonilla, Bonta, Brown, Burke, Calderon, Campos, Chau, Chiu, Chu, Cooley, Cooper, Dababneh, Dodd, Eggman, Cristina Garcia, Eduardo Garcia, Gatto, Gipson, Gomez, Gonzalez, Gordon, Hadley, Roger Hernández, Holden, Irwin, Jones-Sawyer, Levine, Lopez, Low, Maienschein, McCarty, Medina, Mullin, Nazarian, O'Donnell, Quirk, Ridley-Thomas, Rodriguez, Salas, Santiago, Mark Stone, Thurmond, Ting, Weber, Wilk, Williams, Wood, Rendon

NOES: Achadjian, Travis Allen, Bigelow, Brough, Chang, Chávez, Beth Gaines, Gallagher, Grove, Harper, Jones, Lackey, Linder, Mathis, Mayes, Melendez, Obernolte, Olsen, Patterson, Steinorth, Wagner, Waldron

NO VOTE RECORDED: Dahle, Daly, Frazier, Gray, Kim

Prepared by: Rebecca Newhouse / E.Q. / (916) 651-4108
8/25/16 17:37:23

**** **END** ****