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# NEW GHG EMISSIONS REDUCTION TARGETS

*Wed Nov 23rd, 2016 | Categories: Environmental Law | By Bick Law LLP*

On August 24, 2016, Governor Brown signed into law Senate Bill (SB) 32 and Assembly Bill (AB) 197, setting up stricter emissions reduction targets for greenhouse gases (GHG). Together, the two bills introduce several new reporting and emissions initiatives that many believe will help California GHG emitters meet their targets.

Of course, our environmental litigation attorneys are well aware of the fact that approval of such legislation has seen its fair share of criticism. Detractors share a concern about the cost burden of implementing the SB 32 and AB 197 regulations, placed on developers, manufacturers, and other covered parties.

What effect will these bills have?

## California Emissions Reduction Targets

SB 32 heightens legislative supervision of the California Air Resources Board (CARB) and requires that CARB implement an emissions reduction plan for GHG emissions so as to meet the new targets. Specifically, SB 32 requires that CARB reduce GHG emissions to 40% below 1990-levels, and they must do so by 2030. Additionally, CARB's emissions reduction plan must address the disproportionate effect of GHG emissions on disadvantaged communities in California.

As CARB develops a solid implementation plan, the new emissions reduction targets are likely to affect developers, manufacturers, and other businesses across the state in the coming years. CEQA scrutiny is expected to increase, as the cumulative GHG emissions of a project will have to be consistent with updated thresholds for "significant GHG emissions."

## Reporting of Facility Emissions

CARB will now be required to report on GHG emissions and other air pollutant data online, and they must include data for facilities that are already required to report emissions and pollutant data.

## Focus on Direct Emissions Reductions for Manufacturing Facilities and the Transportation Industry

AB 197 empowers CARB to directly impose emissions reduction measures on large-scale GHG emitters, specifically manufacturing facilities and utilities. CARB has been given wide discretion in implementing direct emissions reduction measures – at large-scale manufacturing facilities, for example, they can regulate water and power consumption, the waste disposal process, and any other processes that influence the level of GHG emissions.

Direct emissions reduction measures will also affect the transportation industry, though it will take on alternative forms (i.e., the imposition of new fuel efficiency standards, among other measures).

The imposition of direct emissions reduction measures is likely to have a significant impact on the operation of large-scale manufacturers in California, as manufacturing facilities will be required to implement potentially costly (and highly varied) measures, as determined by CARB.

## Cap-and-Trade Effects

Many large-scale GHG emitters in California currently make use of the cap-and-trade system.  AB 197 and SB 32 do not technically affect cap-and-trade incentives, but the emissions reduction targets – in combination with direct measures by CARB to implement emissions reductions at individual facilities – may diminish the value of such cap-and-trade incentives.  The diminished value of cap-and-trade is likely intentional, of course.  The language of AB 197 specifically emphasizes the importance of prioritizing direct emissions reductions over alternatives.