

Mary D. Nichols, Chairman
California Air Resources Board
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Good morning and happy New Year. In a New Year spirit, I'd like to take a few minutes to share with you some of what we expect at the Air Resources Board in 2013, as we continue the steady implementation of our program to reduce global warming pollution under the Global Warming Solutions Act, or AB 32.

Scoping Plan update

AB 32 is a suite of policies, and it requires us to check in every five years and recalibrate that suite of policies to ensure we're on track.

In the first Scoping Plan, we took a measure-specific approach – we looked economy-wide and described an across-the-board program to reach targeted reductions, and set in place a range of programs, both regulatory and market-based, in many sectors that support one another.

In 2013, we'll review our progress against our over-arching goals, but we'll also take the opportunity to dive more deeply in five major sectors where the challenges – and rewards – of successful climate action are most compelling.

These are 1) transportation, fuels, and infrastructure; 2) energy generation, transmission, and efficiency; 3) waste; 4) water; and 5) agriculture.

We'll be focusing on strategies to reduce greenhouse gas emissions and achieve additional co-benefits both in the near-term and beyond 2020, including in disadvantaged communities.

We will also focus on how best to align California's greenhouse gas emission reduction strategies with other state policy priorities like air quality, goods movement, sustainable communities, and clean energy.

We know that pursuing pollution cuts can't be done without coordinating with these other objectives – it wouldn't be effective, it would cost too much, and it would leave benefits to our economy, our environment, and our people on the table.

Early this year, ARB plans to hold initial public workshops to discuss preliminary concepts for updating the Scoping Plan.

In the spring we will hold regional public forums, co-hosted by air and transportation agencies, in several areas of the State to provide a local/regional perspective on both progress and future direction for California's climate program.

And in the summer, ARB expects to release a preliminary draft of the 2013 Update to the AB 32 Scoping Plan for public review and comment. This process will support Board consideration of the proposed Update later this year.

Energy Policy Coordination

One of the reasons this new, cross-cutting approach to the Scoping Plan is important is because the State is coordinating its energy policy more effectively than ever before.

We have to – the challenges we’re navigating all at once cannot be done in isolation. I’d say it’s like 3-dimensional chess, but that metaphor is much too serene. It’s more like multi-dimensional river-rafting.

But thankfully, all the California energy agencies really are all pulling our oars in the same direction.

The coordination and cooperation occurring now on energy policy between the Air Resources Board, the California Energy Commission, Public Utilities Commission, and the Independent System Operator – all under the guidance of the Governor – is unprecedented.

And our relationship with our local and private partners is stronger than ever.

The Scoping Plan is another example of this coordination.

We are approaching each of these sectors – transportation, electricity, water, waste, and agriculture – as cross-cutting themes, integrating our strategic objectives for the health and prosperity of California with the goal of carbon pollution reduction.

Electricity

For example, we’ll be looking at the electricity system in an integrated fashion.

I know this is something close to all of your hearts, and we’ve heard quite a bit already today about the kinds of issues that we’ll be including in our analysis – from integrating renewables into the power system to meeting air quality deadlines while maintaining reliability.

The Governor has articulated a vision of an electric grid that is more flexible, decentralized, and efficient – and dramatically cleaner than today. It is one that utilizes

our abundant resources in the state, creates local jobs and supports a competitive economy, and does the most with every drop of power.

Electric Transportation

Another one of our deep-dive topics – transportation – should also be of central concern to the NCPA.

It's long been a goal of the ARB to promote zero-emission transportation, and because of the fast pace of technology development and significant investments by automakers and consumers, we will see a major transformation toward electric-drive transportation in the coming years.

This transformation is being supported by the Plug-In Electric Vehicle Collaborative, a multi-stakeholder public-private partnership that includes elected and appointed officials, automakers, utilities, infrastructure providers, environmental organizations, research institutions and others.

The PEVC is working to ensure a strong and enduring transition to a plug-in electric vehicle market in California – with an emphasis now on accelerating the development of the needed charging infrastructure. And while that means good news for the environment, it may mean great things for your bottom line, as well.

We expect utilities to be the fuel providers of the future, integrating electric vehicle charging into a more efficient and reliable grid.

Of course, in order to meet our goals and be truly low carbon, that electricity will be even cleaner than it is today.

And while electric transportation will demand clean electricity, electric drive vehicles can offer significant benefits for grid operations.

Encouraging charging at the right time can smooth load curves and offer a major source of demand response. Perhaps in the not too distant future, select groups of electric vehicles could provide cost-effective, dispatchable sources of energy storage.

Low Carbon Fuels Standard

One policy with significant potential to help in this transition to electric transportation is the Low Carbon Fuels Standard.

The Low Carbon Fuels Standard is a landmark policy to parallel our efforts in fuel efficiency with a performance-based standard that steadily reduces the carbon intensity of transportation fuels.

So far, we are well on track, with a wide diversity of low-carbon fuels generating sufficient credits to meet the near-term mandates of the program.

Electricity is one of these fuels, and will grow in importance over the life of the program.

Utilities, fleet operators, and others can opt-into the LCFS program to gain value for the low carbon fuel credits that they generate. In turn, this value supports the growth of electric transportation.

As the program progresses, electricity providers like the members of NCPA will be critical partners.

Cap-and-trade to-dos

Lastly, on our 2013 agenda, I know you may all be interested in our 2013 to-do list for our cap-and-trade program.

Our primary objective is to continue as we've started: to run a modest, predictable, and stable market for pollution allowances, and to slowly, steadily, predictably ratchet down those allowances over time – bringing certainty and manageability to businesses' pollution reduction responsibility.

Compliance with the requirements of the cap-and-trade program began at the beginning of the year, just a few short weeks ago.

In November, we held a successful allowance auction to ensure a liquid allowance market and provide a transparent carbon price.

In 2013, we will hold four more (I hope similarly successful but otherwise unremarkable) auctions – in February, May, August, and November.

We have already announced a series of relatively minor regulatory amendments we'll develop in 2013 that should keep our hands full.

We have developed some fine-tuning to the allocation of allowances, recognizing the importance of transition assistance for universities, combined heat and power facilities, new industries, and those truly trapped by legacy contracts.

We have announced that we will be developing two additional offset protocols for potential Board consideration later this year.

We will be memorializing in regulation our guidance regarding the prevention of resource shuffling.

We will pursue a mechanism to provide certainty to the upper tier of price containment levels.

And pending the Governor's findings, we will pursue linkage of our cap-and-trade program with the Province of Quebec.

We have announced all these 2013 activities before, and we look forward to working with you as we fine-tune an efficient, fair, and effective cap-and-trade program.

How you can help: more efficient, competitive economy

And I do mean that when I say we look forward to working with you. Because we need your help.

We all share the same goal. We want a California whose prosperity, strength, and resilience is sustained for generations to come.

So we want to work with you as we pursue these goals together. We welcome your advice and insight about how we can do better, and we keep an open door to good ideas.

We want to maintain a globally competitive economy, built on being more efficient, more innovative, and more productive.

We understand that our efforts to address the challenge of climate change are not a distraction, much less a threat, to building a more prosperous and secure California.

Rather they are essential to that pursuit.

Thank you.

