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STATE OF CALIFORNIA
AIR RESOURCES BOARD

JOE SERNA, JR. BUILDING
CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY
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BOARD MEMBERS

Mr. Ron Roberts, Acting Chairperson

Dr. John R. Balmes

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Ms. Dorene D'Adamo

Mr. Jerry Hill

Ms. Lydia Kennard

Mr. Ronald O. Loveridge

Mr. Daniel Sperling

Mr. John Telles

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Mr. Michael Scheible, Deputy Executive Officer

Ms. Lynn Terry, Deputy Executive Officer

Ms. Kathleen Quetin, Ombudsman

Mr. Kevin Kennedy, Chief, Program Evaluation Branch

Ms. Yun Hui Park, Staff

Mr. Roland, Staff

Ms. Monica Vejar, Board Clerk

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APPEARANCES CONTINUED

ALSO PRESENT

Dr. Rasto Brezny, MECA

Mr. Chris Busch, UCS

Mr. Pedro Carillo

Mr. Tim Carmichael, Coalition for Clean Air

Ms. Cynthia Corey, California Farm Bureau

Mr. Casey Crammer, California Cotton Ginners and Growers
Association

Mr. John Dunlap, American Home Furnishing Alliance

Mr. Roger Gault, Enginer Manufacturers

Mr. Henry Hogo, South Coast Air Quality Management
District

Mr. Ken Johnson

Mr. Lawrence Keller, Polaris Industries

Mr. Bill Magavern, Sierra Club

Mr. James McNew, OPEI

Mr. Peter Miller, Natural Resources Defense Council

Ms. Crystal Muhlenkamp, Bloom Energy

Mr. Max Ordenez

Ms. Danielle Osborn Mills, Center for Energy Efficiency

Mr. Ed Pike, International Council on Clean Transportation

Mr. Shankar Prasad, Coalition for Clean Air

Ms. Erin Rogers, Union of Concerned Scientists

Ms. Julie Sauls, CA Trucking Association

APPEARANCES CONTINUED

ALSO PRESENT

Mr. Kris Tjernell, Audubon CA, Conservation Strategy Group

Mr. John White, Clean Power Campaign

Ms. Pamela Williams, California Retailers Association

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1 PROCEEDINGS

2 ACTING CHAIRPERSON ROBERTS: Good morning. Today
3 is November 21st. And I want to call this continued
4 session of the California Air Resources Board to order and
5 ask the clerk to call the roll.

6 BOARD CLERK VEJAR: Dr. Balmes?

7 BOARD MEMBER BALMES: Here.

8 BOARD CLERK VEJAR: Ms. Berg?

9 BOARD MEMBER BERG: Here.

10 BOARD CLERK VEJAR: Ms. D'Adamo?

11 BOARD MEMBER D'ADAMO: Here.

12 BOARD CLERK VEJAR: Supervisor Hill?

13 BOARD MEMBER HILL: Here.

14 BOARD CLERK VEJAR: Ms. Kennard?

15 Mayor Loveridge?

16 Mrs. Riordan?

17 Supervisor Roberts?

18 ACTING CHAIRPERSON ROBERTS: Here.

19 BOARD CLERK VEJAR: Professor Sperling?

20 Dr. Telles?

21 BOARD MEMBER TELLES: Here.

22 BOARD CLERK VEJAR: Chairman Nichols?

23 Chairman Roberts, we have a quorum.

24 ACTING CHAIRPERSON ROBERTS: We have a quorum,
25 thank you.

1 We are going to continue with the public
2 testimony first from yesterday. I have a speaker's list
3 of people who apparently were here and indicated they were
4 interested in coming back today instead of staying with us
5 through the dinner hour last night.

6 So we're going to move through this. And we're
7 going to strictly enforce the two-minute limit. So I hope
8 you can get done within that two minutes and not drag on
9 for any additional time. So with your help, we want to
10 get through this. We have a lot we need to cover today,
11 and we're going to lose a quorum around noon time. Please
12 work with us. We're anxious to hear your comments.

13 We'll start with Bill Magavern representing
14 Sierra Club followed by Shankar Prasad, Coalition for
15 Clean Air. Get in that on deck position. Okay.

16 MR. MAGAVERN: Good morning. I'm Bill Magavern
17 with Sierra Club California. And I want to thank both the
18 staff and the Board for running such an open public
19 process and doing -- really going more than the extra mile
20 to take in everybody's comments and your accessibility
21 throughout the process.

22 We've submitted lengthy written comments, so I
23 want to get right to our suggestions for improvements in
24 the market mechanism.

25 We think for this to be a market mechanism that

1 will work for California or at a regional level or as a
2 model for the nation, it needs significant strengthening.
3 And I understand that a lot of the details will be dealt
4 with during the rulemaking process, but think it's very
5 important that some fundamental principles be accounted
6 for in the Scoping Plan.

7 First, we think that it's important that carbon
8 fees be analyzed equally with cap and trade. And we would
9 like to see a full blown scenario as to whether, given the
10 regulatory measures that in the plan most of which are
11 excellent, what level would a carbon fee need to be set at
12 to achieve the carbon pricing goal. And then compare that
13 to the cap and trade, and let's see which would be the
14 better option. Let's do that full analysis.

15 Secondly, if there is going to be a cap and trade
16 and emission allowances are to be issued, it's very
17 important that the polluters have to pay for those
18 allowances and we not give a windfall profit to those
19 polluters.

20 Also the area of offsets. We think that 49
21 percent is much too big and that California needs the
22 reduce our emissions. That's not a job we should be
23 outsourcing to other jurisdictions. We need to develop
24 the clean green technologies here in California. We can
25 export those to the rest of the country and the rest of

1 the world.

2 Also we're very concerned that the cumulative
3 impacts from market mechanisms --

4 ACTING CHAIRPERSON ROBERTS: Bill, thank you.

5 MR. MAGAVERN: -- from offsets be fully analyzed.

6 Thank you very much.

7 ACTING CHAIRPERSON ROBERTS: Thank you.

8 Next speaker please.

9 MR. PRASAD: Good morning, members of the Board.

10 For the record, my name is Shankar Prasad. I'm
11 with the Coalition for Clean Air.

12 We are glad to be working with you and the staff
13 in crafting this historic plan. We commend the staff for
14 the excellent work they have done and also the expertise
15 they have shown in crafting this plan.

16 This Board has the tradition of showing world
17 wide leadership and taking actions, taking anticipatory
18 actions. So in the same vain, we want to make sure that
19 you all direct the staff to include the language that has
20 been included in our comments letter, the four elements,
21 which has been jointly signed by four other major
22 organizations in this state.

23 You may recall that over the last eight to
24 ten years or ten to twelve just the laws that have passed
25 in the state. But when it comes to the question of what

1 has changed at the ground level, not much has happened.
2 And the reason is that we do not have -- to any of them,
3 including the small grants program, neither we have the
4 target that has been clearly established not a time line
5 that has been there.

6 So you have this opportunity not to make the same
7 mistake and to ensure that these problems are solved and
8 directing the staff for action items that we have listed.
9 And the time lines is very important on that aspect.

10 And also we should remember that it is because of
11 the foresight of this agency three years ago that we have
12 an access to do cumulative impacts assessment. And it is
13 the reason we are asking that methodology now available
14 for you to build upon and to ensure that there is a common
15 method that can be used by other districts, the cities,
16 and otherwise so it is very much like risk assessment and
17 will also help in evaluating the future.

18 ACTING CHAIRPERSON ROBERTS: Thank you.

19 Tim Carmichael followed by Daniel Osborn Mills.

20 MR. CARMICHAEL: Good morning, members of the
21 Board. Tim Carmichael with the Coalition for Clean Air.

22 Let me start by assuring you the crowds have
23 dwindled. California's interest in what you're going to
24 do on this topic has not dwindled one bit.

25 Greatly appreciate the comments from the Board

1 members yesterday indicating their interest in
2 incorporating community health protections into this plan.
3 We think it's a critical element, as Dr. Prasad just
4 outlined. And it's a piece that needs to be called out
5 more specifically in the Scoping Plan.

6 This is not only an opportunity for California do
7 the right thing for the residents of California, but it's
8 an opportunity to create a model for the Western Climate
9 Initiative, for rest of the country, and for other
10 countries around the world that are looking to set up
11 similar programs going forward.

12 We appreciate your support for this. We ask you
13 to incorporate the language that is in our comment letter.

14 And thank you again for the opportunity to weigh
15 in on this important matter.

16 ACTING CHAIRPERSON ROBERTS: Thank you, Tim.

17 Danielle followed by Jennifer Hadra.

18 MS. MILLS: Good morning, members of the Board.

19 The Center for Energy Efficiency and Renewable
20 Technologies first wants to commend the Air Resources
21 Board and staff for producing a plan of such magnitude and
22 scope. And we appreciate the opportunity to comment
23 today.

24 We applaud the inclusion of the 33 percent
25 renewable portfolio standard and believe it will bring

1 significant environmental co-benefits as well as economic
2 benefits to the state.

3 However, we would like to see some measures
4 including energy storage technologies included in this.
5 We strongly support the option of offering a feed-in
6 tariff for all renewable portfolio standard eligible
7 projects or facilities up to 20 megawatts in size, which
8 would include ultra clean heat and power technologies as
9 well as distributed generation.

10 CEERT believes the design of any climate policy,
11 be it a cap and trade program or a direct regulatory
12 measure should recognize greenhouse gas benefits of
13 renewable electricity without imposing any regulatory
14 compliance burdens or unintended consequences on renewable
15 providers.

16 To this end, CEERT strongly recommends that the
17 CARB include a measure to preserve the voluntary market
18 under a cap and trade program by retiring carbon benefits
19 related to voluntary purchases of renewable electricity
20 from the regional cap before allocating allowances to the
21 states.

22 We suggest that the staff also consider the
23 impact of this CEQA threshold of significance on
24 facilities that may emit more than 7,000 metric tons of
25 carbon dioxide equivalence through the generation of low

1 carbon renewable power. And we recommend that this
2 interim significance threshold be set equivalent to the
3 25,000 metric tons used as the threshold for coverage in
4 the WCI.

5 Again, we just want to thank you and tell that
6 you we believe the proposed Scoping Plan provides an
7 enormous opportunity for the state of California to grow
8 its economy, increase its development of green energy,
9 provide co-benefits, and reduce greenhouse gases.

10 Thank you.

11 ACTING CHAIRPERSON ROBERTS: Thank you.

12 Jennifer here?

13 Okay. Elizabeth Hadley. Elizabeth Hadley.

14 OFFICE OF CLIMATE CHANGE CHIEF SHULOCK: I
15 believe she testified yesterday.

16 ACTING CHAIRPERSON ROBERTS: Rachel Oster.

17 Kris Tjernell followed by Crystal Muhlenkamp.

18 MR. TJERNELL: Good morning, members of the
19 Board. I'm Kris Tjernell here on behalf of Audubon,
20 California.

21 First, we are very thankful for the continued
22 effort of the Board to find comprehensive solutions to
23 climate change issues and we urge adoption of the proposed
24 Scoping Plan.

25 Audubon, working closely with the Nature

1 Conservancy and Defenders of Wildlife, has submitted
2 extensive comments throughout the Scoping Plan process.
3 We'll keep today's comments brief.

4 Our natural resources, our wetlands, forests, and
5 range lands are a critical component of natural carbon
6 cycle and thus need to be considered to be considered
7 centrally in any approach to fighting and adapting to
8 climate change.

9 Significant investment in the protection and
10 restoration of our natural ecosystem is required to ensure
11 that the good work to curb emissions in the energy,
12 transportation, and other sectors is not undermined.

13 To this end, Audubon California supports a strong
14 ongoing role for the Air Resources Board to provide clear
15 protocols and standards required during a multi-agency
16 effort of this magnitude.

17 In addition, Audubon California supports a
18 100 percent auction of allowances under a cap and trade
19 program with appropriate revenues reinvested in natural
20 resource protection, ecosystem resiliency, and adaptation
21 planning.

22 Thank you for your efforts. And again we urge
23 your adoption of the Scoping Plan. Thank you.

24 ACTING CHAIRPERSON ROBERTS: Thank you.

25 Crystal followed by Scott Newman.

1 MS. MUHLENKAMP: Good morning, members of the
2 Board. Crystal Muhlenkamp on behalf of Bloom Energy.

3 We applaud the Board and staff for their
4 excellent work on the Scoping Plan and urge adoption.

5 We would just like to take this opportunity to
6 encourage ARB going forward to promote the inclusion of
7 all technology neutral distributed generation solutions to
8 meet California's ambitious GHG emission reduction
9 targets.

10 California is of course known for its
11 technological innovation where things are constantly
12 improving and recognizing that new ultra clean high
13 efficiency distributed generation solutions are available
14 that don't meet the old technology definitions will help
15 California benefit from the best and widest range of
16 climate change solutions available.

17 I would like to say we appreciate staff's
18 economic analysis work and firmly believe AB 32 and the
19 Scoping Plan will not only be great for California's
20 environment, but will spur further good old fashioned
21 California innovation, create green jobs in traditional
22 sectors, and further grow California's economy.

23 Thanks so much.

24 ACTING CHAIRPERSON ROBERTS: Scott Newman here?

25 Adrian Perez.

1 Ken Johnson. Ken is going to be followed by Erin
2 Rogers, followed by Audrey Chang. Audrey here? Okay.

3 MR. JOHNSON: Good morning. I'm Ken Johnson.

4 One thing I don't see anything in the plan that
5 would prevent situations where in 2020 you could have
6 emission allowance trading for something like three
7 dollars per ton or lower, even after the polar ice cap is
8 gone. We could win the battle to achieve a 2020 emission
9 goal and still lose the war against catastrophic global
10 climate change.

11 And I would like to ask staff to respond to a
12 question regarding the statutory requirement for maximum
13 technologically feasible and cost effective emission
14 reductions.

15 Suppose that the statute had been written with
16 the word "maximum" omitted from that language. Everything
17 else stayed the same. You know, the 2020 emission limit
18 is unchanged.

19 Is there anything in what you've proposed that is
20 significantly different from what it would be if the word
21 "maximum" were omitted from the language. Is there
22 anything that would preclude a three dollar per ton
23 trading price of 2020 in what you've proposed?

24 ACTING CHAIRPERSON ROBERTS: We'll have them
25 answer at the end of the public testimony. Thank you.

1 MS. ROGERS: Good morning. Good to see you guys
2 again today. My name is Erin Rogers. And I'm with the
3 Union of Concerned Scientists. And we support the Scoping
4 Plan's foundational policy very much.

5 We have some concerns with the cap and trade
6 program. And I'd like to spend my time focusing on one of
7 those which is offsets.

8 So if the cap and trade program is like a game of
9 musical chairs in which chairs are taken out of the game
10 as the cap is ratcheted down and we proceed toward fossil
11 fuel abolition, then offsets are like bringing in a bunch
12 of chairs from the neighbor's house.

13 The offset upper limit in the Scoping Plan adds
14 about 213 million metric tons of chairs to the game. So
15 in essence we're lifting the cap by about 213 million
16 metric tons of emissions over the lifetime of the program.

17 The amount of offsets that could be allowed into
18 the system based on the upper limit in the Scoping Plan
19 could far exceed the emission reductions that come from
20 the cap and trade program. For example, in 2020, we
21 expect the cap and trade to achieve about 34 million
22 metric tons a year of emission reductions. But the same
23 year, the up limit of proposed offsets could allow 47
24 million metric tons of offsets into the system.

25 And this means that cap and trade is not pushing

1 up further reductions in the cap sectors. We're not
2 maximizing economic and environmental benefits in
3 California. And we think that the upper limit is too
4 high.

5 There's I hope a sign-on letter that's going to
6 be distributed signed by about 20 different environmental,
7 academic, and labor organizations asking for this upper
8 limit to be lowered or at least taken out of the Scoping
9 Plan for now until we can figure it out more.

10 Don't lock us into the upper limit. We think
11 that California should set the bar higher than the Western
12 Climate Initiative and do better on tightening up our
13 offsets limit.

14 Thank you.

15 ACTING CHAIRPERSON ROBERTS: Thank you.

16 Audrey Chang.

17 MR. MILLER: My name is Peter Miller. I'll be
18 speaking today on behalf of the Natural Resources Defense
19 Council.

20 And I wanted to begin today by offering our
21 sincere thanks to the staff for what really has been a
22 Herculean effort over the past couple of years. An
23 enormous amount of work. A lot of pressure. And we
24 really do appreciate deeply the work that's gone into the
25 Scoping Plan.

1 We think that the Scoping Plan really leads the
2 country and the world. California is exercising
3 tremendous leadership with this. While we don't support
4 every detail within the plan, we do support strongly the
5 overall approach and the mix of policies and programs that
6 are in the Scoping Plan. We think that the Scoping Plan
7 when implemented will result in substantial economic
8 stimulus and sustainable jobs in the state. We think this
9 is an enormous benefit. We have submitted detailed
10 comments on to CARB on the draft plan, proposed plan. We
11 look forward to working with you on implementing that
12 plan.

13 I have two brief comments that I don't believe
14 have been made on the forest sector.

15 The proposed Scoping Plan particularly in
16 Appendix C includes the assertion that mechanical fuels
17 treatment is a proven emission reduction measure. This
18 claim we find to be speculative and not founded in
19 accepted science. And we urge CARB to instead commit to a
20 science-based rigorous investigation of the full fuel
21 cycle carbon effects of fuels treatment and to
22 re-calibrate the Scoping Plan and energy sector strategies
23 in keeping with the results.

24 Second, the Scoping Plan does not yet offer
25 flushed out effective management and funding structure for

1 forest sector program design and implementation. And we
2 urge CARB to work with a range of relevant agencies and
3 stakeholders over the months and years to come to develop
4 such a structure.

5 Thank you for the opportunity to offer those
6 comments.

7 ACTING CHAIRPERSON ROBERTS: Thank you.

8 Chris Busch, followed by Brian Nowicki.

9 MR. BUSCH: Thanks to the Board and staff -- I
10 was going to say Herculean efforts too -- we weren't even
11 coordinating -- and for the great progress we made so far.

12 You heard a lot about auctioning yesterday, so I
13 don't want to get into the merits. But I'd like to start
14 by presenting a letter to you signed by 21 public interest
15 groups and also eleven professors of economics and Dan
16 Cammon as well also Nobelaureate Kent Arrow from Stanford
17 encouraging stronger statement of preference for
18 auctioning.

19 Let me say exactly what the letter said. It asks
20 you to add the statement that CARB expects that California
21 will auction significantly more than the WCI minimum
22 levels and will transition to 100 percent auction.

23 Next I'd like to offer some words in response to
24 those who would say the difficult economic times mean we
25 can't afford climate investments. And I think that's

1 exactly the wrong way to think about it. The smart
2 household strategy of cutting back in difficult times is
3 actually how recessions turn into depressions. So we need
4 government to be thinking in terms of stimulus.

5 And this doesn't mean it's all going to be free.
6 And CARB's analysis appropriately recognized the cost of
7 policies. It's just that the energy savings outweigh the
8 costs. And that's how the net benefits come about and the
9 cost lowering benefits of innovation in the future are not
10 even brought into the analysis. So that is a way that
11 really costs are overestimated.

12 I think the AB 32 implementation group critique
13 goes overboard in its attack on CARB's analysis. And I
14 think it offers little in the way of specific refutation
15 of the detailed bottom up work that underlies and is the
16 basis for the net benefits in the analysis.

17 I think the heart of their critique relies on an
18 ideological judgment that in essence markets are working
19 close to perfectly and are close to rational and that
20 government can't possibly have a net positive impact on
21 the economy.

22 In closing, we ask you to reject delay and to
23 maintain strong leadership at this critical time.

24 ACTING CHAIRPERSON ROBERTS: Thank you.

25 Brian Nowicki here? Ed Pike. Is Ed here?

1 Followed by Julie Sauls, followed by Cynthia Corey.

2 MR. PIKE: Good morning. My name is Ed Pike, and
3 I represent the International Council on Clean
4 Transportation.

5 Thank you for the opportunity to speak this
6 morning. And thank you to the staff for all their hard
7 work on the transportation sector of the Scoping Plan.

8 I recognize the importance of the comprehensive
9 approach covering clean vehicles, clean fuels, reduced
10 vehicle miles traveled. And today I want to limit my
11 remarks to a clean air, clean transportation incentive
12 program.

13 The addition of a clean air, clean incentive
14 program to the Scoping Plan is important for several
15 reasons.

16 First of all, AB 32 requires that the final
17 Scoping Plan contain recommendations on incentive programs
18 to achieve the maximum feasible and cost effective
19 reductions. Targeted incentives for cost effective
20 voluntary reductions will multiply the incentive compared
21 to a broad somewhat diffuse effect you might have from a
22 broad cap and trade or other type of system putting a
23 price on carbon.

24 Second of all, the California Energy Commission
25 has estimated that it will take \$50 billion over the next

1 15 years to achieve many of the goals laid out in the
2 Scoping Plan. And AB 118 is a great opportunity to move
3 in that direction to leverage a lot of private dollars
4 where most of the investment will come from. But it's
5 important to look at other opportunities as well. And
6 ETAAC has some recommendations that can help in that area.

7 In addition to broader concepts like the
8 California Carbon Trust, which is something that we very
9 much endorse, ETAAC also recommends as a high priority a
10 program specifically for transportation incentives. And
11 while models like offsets haven't worked very well in
12 California and internationally as incentive for
13 transportation reductions, we do have examples here in
14 California that are recognized as very successful like the
15 Carl Moyer Program for cost effective voluntary reductions
16 that go beyond what standards will require.

17 ACTING CHAIRPERSON ROBERTS: Thank you, Ed.

18 Julie Sauls, followed by Cynthia Corey.

19 MS. SAULS: Good morning, members of the Board
20 and staff.

21 I just want to say thank you again for the amount
22 of time you are giving towards these very big issues that
23 are before you. It is greatly appreciated by those who
24 actually are watching and getting to participate. So
25 thank you.

1 My name is Julie Sauls. And I am the BP of
2 External Affairs for the California Trucking Association.
3 We are the largest statewide trucking association
4 representing trucking interests and those that rely on us
5 in California.

6 CTA does support the goals outlined in AB 32.
7 However, we are extremely concerned about the competitive
8 disadvantage and the fact that this will increase costs
9 not only for truckers, but for the businesses and the
10 consumers that rely on the goods that trucks deliver.

11 The Scoping Plan identifies medium and heavy-duty
12 trucks as a primary target of AB 32 implementation
13 policies, including requiring retrofits to improve fuel
14 efficiency and hybridization of medium and heavy-duty
15 vehicles. It also relies heavily on the implementation of
16 low carbon fueled standards not only for passenger vehicle
17 fleets, but for trucks as well.

18 This measure is very likely to impose billions of
19 dollars in additional costs to truckers. And it also does
20 not account for the costs associated with the regional and
21 local initiatives that have imposed greater restrictions
22 and conditions on trucking operations in California.

23 Every new cost that widens the gap between
24 in-state and out-of-state trucking increases the
25 likelihood that more and more operators will move their

1 base of operations outside of California.

2 This will export California jobs and revenue and
3 generate more greenhouse gases as they drive in and out of
4 the state. Much longer delivery runs than if they were
5 based within California borders. The added cost of
6 out-of-state carriers will manifest themselves in the
7 prices of food and other consumer products that rely on
8 truck transport and get them into the hands of consumers.

9 I would like to offer a few things for your
10 consideration. One is that the economic impact analysis
11 is taking into account what is happening in the current
12 economy. As we see, it's changing day to day and the --

13 ACTING CHAIRPERSON ROBERTS: Thank you, Julie.

14 MS. SAULS: -- picture is becoming more gloomy.
15 Thank you.

16 ACTING CHAIRPERSON ROBERTS: Cynthia Corey
17 followed by John White. And then our final speaker Casey
18 Crammer.

19 MS. COREY: Supervisor Roberts and members,
20 Cynthia Corey, California Farm Bureau. I'm sorry I
21 couldn't be here yesterday. I heard I missed a good time.

22 But I did hear that there was some talk about
23 agriculture. And I just wanted to in my two seconds
24 remind the Board. I know that you have a lot of reading
25 material that comes to you before every Board meeting.

1 But I want to remind you earlier this spring about the
2 ETAAC report. And there's 23 pages in here that the
3 agriculture community spent a lot of time putting
4 together. I would like -- please before we think about
5 new ideas for agriculture that we go back, look at every
6 step. There is a two-page charts that lays out everything
7 that need to happen for agriculture to get their eight
8 million metric tons that are identified for agriculture.

9 Under your current structure, there is no farm or
10 ranch that will reach the stationary source definition.
11 So ours are voluntary measures at this point. We are
12 working closely with the academic community within the
13 state, within this nation, and internationally trying to
14 identify where we can make changes. So I would ask that
15 you sit down with us, review this, and figure out the next
16 steps. We are working hard to come up with our
17 contribution. And it just hurts me to think that it was
18 portrayed that we are not interested and we are not at the
19 table. Thank you.

20 ACTING CHAIRPERSON ROBERTS: Thank you.

21 John White, followed by Casey Kramer.

22 MR. WHITE: Good morning. I'm John White. I'm
23 here today representing the Clean Power Campaign.

24 My remarks are more personal, because I've been
25 coming to the Board for many years on a lot of different

1 things. And I have an idea how this fits.

2 And I think what we need to do is really
3 understand how important California's contribution to the
4 international climate debate is. And it has to do with
5 how we approach the problem.

6 This Scoping Plan should be more like a State
7 Implementation Plan. That's the standards against which
8 it should be judged. And because I think the Clean Air
9 Act has a lot to teach us about how to go about with
10 climate.

11 One of the things I think we've learned is that
12 cap and trade is a compliance mechanism. It's not an end
13 in itself. And the fact is that questions, problems,
14 issues, and financial uncertainty associated with cap and
15 trade have grown since we started this process. And I
16 think all of the advocates at the Board and the staff have
17 all put too much time into it for how good it's going to
18 do us in the near term.

19 That's not to say we shouldn't work on it. I
20 think it's very important that we get the metrics right
21 and influence in places like the WCI. But it isn't where
22 the tons are going to come from any time soon.

23 As a result, I think we need to go back and focus
24 more on getting from here to there on the near-term
25 reductions we have before us. We're grateful for the 33

1 percent renewable portfolio standard being established,
2 but we need your help enforcing it. When you get to the
3 municipal utilities on the cap and trade and the
4 allocation, the theory versus the practice of cap and
5 trade is going to come into full view. We would suggest
6 command and control has a role at providing meaningful
7 compliance flexibility for some situations. But the
8 emphasis has to be on implementation. We very much
9 commend as my colleague --

10 ACTING CHAIRPERSON ROBERTS: Thank you, John.

11 MR. WHITE: -- Danielle Mills said about the
12 Scoping Plan inclusion --

13 ACTING CHAIRPERSON ROBERTS: Thank you, John.

14 MR. WHITE: -- distributed energy tariffs. We
15 want to emphasize that. Thank you.

16 ACTING CHAIRPERSON ROBERTS: Casey, you have the
17 dubious distinction of being the last speaker here.

18 MR. CRAMMER: Good morning. My name is Casey
19 Cramer. I represent the California Cotton Ginners and
20 Growers Association.

21 I'm here today to comment on testimony that
22 agriculture was not being addressed in the Scoping Plan.
23 This was not the case. Agriculture will be affected more
24 than any other industry in California by the proposed
25 Scoping Plan and does not have the ability to pass on one

1 cent of the cost onto the consumers.

2 Agriculture will be affected by regulations in
3 virtually every category of the Scoping Plan. Will be
4 impacted by the low carbon fuel standards, the heavy-duty
5 truck efficiency measures, water efficiency, land use
6 efficiency measures, and will be heavily impacted by the
7 increases in utilities rates. We are no different and are
8 concerned with the same as many of the small businesses
9 that you heard from yesterday.

10 Farmers must invest in efficiency measures in
11 order to cut costs and compete in the global marketplace.
12 Investments in water pump and use efficiency have reduced
13 per acre water use. Farmers have drastically moved
14 towards electrictrifying ag pumps where possible because
15 of strict air quality regulations and high cost of fuel.
16 Conservation tillage and investments in equipment that
17 reduces passes in the field have lead to decreased fuel
18 use per acre and greenhouse gas reductions.

19 California agriculture has and will continue to
20 lead the world in inefficiency as necessary means of
21 survival and will therefore continue to reduce greenhouse
22 gases and continue to significantly contribute to carbon
23 sequestration.

24 If the actions of your Board and the purpose of
25 the Scoping Plan are truly about reducing greenhouse gases

1 and the global climate change, the Board should do what it
2 can to encourage the viability and sustainability of the
3 family farmers. The alternative is to pave over prime
4 agriculture land with freeways and development, only
5 worsening our air quality and climate change problems.
6 Thank you.

7 ACTING CHAIRPERSON ROBERTS: Thank you, Casey.
8 That completes the public testimony.

9 Would staff first deal with the question that Mr.
10 Johnson raised before Board member comments.

11 CHIEF COUNSEL JENNE: Hi. This is Bob Jenne.

12 Regarding Mr. Johnson's question, which was
13 really about statutory interpretation, we designed the
14 plan to achieve the 2020 target by using the most cost
15 effective measures we could identify. If we are able as
16 we learn more to identify additional measures that are
17 within the same range of cost effectiveness and they're
18 technologically feasible, the Board would be required to
19 adopt such measures to fulfill the statutory mandate in AB
20 32 to adopt the maximum technologically feasible and cost
21 effective measures.

22 We would also note that the plan already provides
23 for that in some degree. We have a margin of safety in
24 the plan to achieve additional reductions beyond the 2020
25 target to make sure we actually get there.

1 ACTING CHAIRPERSON ROBERTS: Thank you.

2 Mr. Goldstene, do you have any comments that you
3 want to lead off with?

4 EXECUTIVE OFFICER GOLDSTENE: Well, we've
5 heard --

6 ACTING CHAIRPERSON ROBERTS: There was a few
7 things from yesterday.

8 EXECUTIVE OFFICER GOLDSTENE: There were a few
9 things from yesterday and a few things from today. At
10 this point, I know that the Board has several specific
11 issues and topic areas you'd like to discuss and cover.
12 We're prepared to make a discussion.

13 ACTING CHAIRPERSON ROBERTS: Do you have a short
14 list you'd like to cover and we'll add to that?

15 EXECUTIVE OFFICER GOLDSTENE: I think land use is
16 on the list.

17 Public health issues are on the list.

18 I know that CAPCOA wants to have a discussion
19 about trying to somehow formalize their participation in
20 the plan.

21 I think the discussion about voluntary credits --
22 credits for voluntary reductions through energy efficiency
23 might be worth talking about. Offsets, as UCS
24 representatives raised today.

25 Cap and trade.

1 That's the short list.

2 ACTING CHAIRPERSON ROBERTS: Okay. John.

3 BOARD MEMBER BALMES: Well, I just wanted to add
4 to the list, cumulative impacts.

5 EXECUTIVE OFFICER GOLDSTENE: Cumulative impacts.

6 BOARD MEMBER BALMES: And the industrial audit.

7 BOARD MEMBER LOVERIDGE: I'm looking for a
8 process question.

9 What will be before us in December? I mean,
10 describe what as a Board member we'll be seeing and asked
11 to do in December.

12 EXECUTIVE OFFICER GOLDSTENE: Based on your
13 direction today, we will make changes to the plan and/or
14 develop a resolution language that you would direct staff
15 to carry out concern functions. So for instance, on
16 public health, you may direct us to work with the director
17 of the Department of Public Health as we study cumulative
18 impacts or other things as an example.

19 ACTING CHAIRPERSON ROBERTS: I think it's fair to
20 assume in December we're going to have a series of
21 sub-groups under these things we're going to have
22 discussions on each one. And then try to reach a series
23 of agreements and probably come to a resolution.

24 BOARD MEMBER LOVERIDGE: One other. Are we
25 assuming it's a public hearing where if there's new items

1 that are not in the current Scoping Plan that we'll have
2 testimony? Or we assume that testimony today is the end
3 and it's Board discussions in December?

4 EXECUTIVE OFFICER GOLDSTENE: I think that the
5 people who are interested in commenting on any significant
6 changes to the plan will probably want to hear comments
7 from people. But I think for the most part we've captured
8 most of the public testimony at point, although there
9 might be new items you may want to hear in December.

10 ACTING CHAIRPERSON ROBERTS: Talking to Mary, I
11 thought this was the public testimony.

12 EXECUTIVE OFFICER GOLDSTENE: For the most part,
13 this is the public testimony.

14 BOARD MEMBER LOVERIDGE: I think that signal
15 needs to be very clear whether there's another round of
16 public testimony in December or whether in fact we heard
17 public --

18 EXECUTIVE OFFICER GOLDSTENE: I think the idea if
19 there are new issues --

20 ACTING CHAIRPERSON ROBERTS: The comments between
21 now and that meeting.

22 CHIEF COUNSEL JENNE: Ultimately, there will be
23 an agenda item in December where you'll have to make a
24 decision whether to adopt the plan or not. Since it's an
25 agenda item, we would allow public testimony. The Board

1 Chair can limit the public testimony and say November was
2 really the opportunity to do that. But if people really
3 insist on talking, they could have an opportunity to
4 comment on the agenda item, and the Chair can
5 appropriately limit it.

6 But ultimately at the end of the December
7 hearing, you would have a resolution in front of you to
8 adopt and plan. And there could be a modified version of
9 the plan that we put for you based on the Board's
10 direction. So you'd have a plan. Either the plan now or
11 the plan with modifications. And at that time you would
12 be asked to adopt it.

13 BOARD MEMBER LOVERIDGE: Okay.

14 ACTING CHAIRPERSON ROBERTS: DeeDee.

15 BOARD MEMBER D'ADAMO: I just had a couple of
16 additions.

17 Further work on the economic analysis with a time
18 certain coming back to the Board.

19 We heard about mandatory and commercial
20 recycling. I think I'd like to have some discussion about
21 assigning a target or some way to assign the range.

22 And then on forestry, I think staff is probably
23 working on this anyway. But the appendix language and
24 maybe some discussion about accounting and cross-sector
25 accounting.

1 BOARD MEMBER HILL: That would be my question
2 too.

3 ACTING CHAIRPERSON ROBERTS: Sandy.

4 BOARD MEMBER BERG: I would like to hear -- I'm
5 in full agreement with my fellow Board members on their
6 list. And I would just like to hear from staff's
7 perspective the incentive programs and what we're thinking
8 about.

9 What I'm trying to be very careful about is not
10 going into details that we're going to be discussing when
11 each item comes up for regulatory review or for crafting
12 the master plan. But some of these things I don't know
13 whether it's a policy decision or will it be covered in
14 the details. So it would be helpful for me to know the
15 thinking about that.

16 The other thing I am concerned about and that was
17 brought up by a speaker today, for example, the role that
18 the trucks, the medium and heavy-duty sector, will play in
19 light of the fact that we're looking at an on-road truck
20 rule in December. And so if we're going to require
21 additional retrofits -- I guess what I'd like to be
22 assured of is that as we're going through to look at the
23 truck rule that we're not going to come back and say, oh,
24 but now we want you to do something different. I'm just
25 concerned about that.

1 And I think that's all on my list. Thank you.

2 BOARD MEMBER SPERLING: It seems like now would
3 be a time to have some small discussions about any items.

4 ACTING CHAIRPERSON ROBERTS: That's what I was
5 anticipating.

6 BOARD MEMBER HILL: I think isn't the purpose of
7 the discussion is to direct the staff to come back with
8 resolution that has that discussion? Okay.

9 ACTING CHAIRPERSON ROBERTS: Okay.

10 EXECUTIVE OFFICER GOLDSTENE: To Board member
11 Berg's point, in December, when we complete the Scoping
12 Plan adoption, we'll be moving right into adoption and
13 consideration of the two truck items. One is the main
14 on-road rule and the other is the smart ways rule that's
15 part of the Scoping Plan.

16 ACTING CHAIRPERSON ROBERTS: That's going to be a
17 great hearing day.

18 OFFICE OF CLIMATE CHANGE CHIEF SHULOCK: One
19 other point on that. The medium and heavy-duty rules
20 would not be retrofits. Those would be new vehicles. So
21 I don't think there's overlap for that piece with what you
22 would be doing in December.

23 BOARD MEMBER BERG: Just so that we are trying to
24 get the industry to move into 2010 vehicles. Those that
25 by 2010 if something else comes out in 2015, 2016, you

1 know, these are expensive pieces of equipment. We have to
2 decide what we want the industry to do and give them very
3 clear messages.

4 BOARD MEMBER SPERLING: So I have three items I
5 would want to discuss here before we move on.

6 ACTING CHAIRPERSON ROBERTS: Why don't you read
7 them off, because I think they have a pretty comprehensive
8 list right now.

9 BOARD MEMBER SPERLING: It's kind of in a sense
10 to get a sense of the Board it would be good for some of
11 these issues.

12 You know three -- I'm concerned about one is the
13 CAPCOA suggestion. I think there should be some kind of
14 movement forward in thinking through exactly how to engage
15 the districts better and how that would be. It doesn't
16 necessarily have to follow exactly what they proposed.
17 But I think something like that should be either in the
18 Scoping Plan or part of the plan.

19 I see a lot of nodding heads.

20 ACTING CHAIRPERSON ROBERTS: You know, I think
21 we'll be able to deal with that, because I think my sense
22 is there's consensus on that.

23 EXECUTIVE OFFICER GOLDSTENE: We've already been
24 working for the past two plus years with them very
25 closely. I think they're looking for some line in the

1 resolution that has you direct us to continue to work with
2 them.

3 BOARD MEMBER HILL: I think we want to do that.

4 ACTING CHAIRPERSON ROBERTS: I think it's more
5 than we want you to work with them. I think it was a
6 question of what is the role we're expecting them to play
7 and to what extent, as we are with State agencies, going
8 to provide funding for that in some way, shape, or form
9 which was really the heartbeat of their comments.

10 BOARD MEMBER HILL: Especially with the
11 permitting of the stationary sources.

12 BOARD MEMBER LOVERIDGE: And you have districts
13 that have been working and been in place. And it seems to
14 me as the CARB board we ought to use the fact it's working
15 there, rather than putting in a new system.

16 ACTING CHAIRPERSON ROBERTS: So I think there's
17 probably a strong consensus -- we are not going to take a
18 vote on this -- that we want to enhance the role of the
19 air districts and see them as a technical clearinghouse at
20 the local level.

21 EXECUTIVE OFFICER GOLDSTENE: We have viewed them
22 as partners. I think what they want to know is what their
23 exact role in the implementation of the plan would be in
24 the different areas. And we know they bring a tremendous
25 account of talent and skill and knowledge. It's a matter

1 of as we get into the details of the implementation,
2 sorting out exactly what the tasks would be, and then how
3 they would be reimbursed for those efforts.

4 BOARD MEMBER BERG: CAPCOA did submit suggested
5 language. And maybe staff could just review that
6 suggested language and see where you're comfortable and
7 what changes --

8 EXECUTIVE OFFICER GOLDSTENE: We have reviewed
9 it, and we are working on a revision to that.

10 BOARD MEMBER HILL: Include that information.

11 BOARD MEMBER TELLES: At our local district, it's
12 been my concern that if we use the air districts as
13 helping implement AB 32 that we don't remove any resources
14 from the air districts in their process of doing that. In
15 other words, they need funding or permit fees or whatever.
16 And actually I think the way the language is written in
17 their resolution that they sent us I would recommend we
18 except it as it stands.

19 ACTING CHAIRPERSON ROBERTS: Well, I don't think
20 we want on vote on that today. But I think we've given
21 staff strong direction to review it and come back with a
22 recommendation that we can discuss. Okay.

23 What's the second?

24 BOARD MEMBER SPERLING: Item two, the offset
25 issue. And I confess I haven't looked at it really

1 carefully. But the way it's being presented that others
2 are presenting it, if their view of it is accurate, I
3 think that has raised some concern.

4 And the question I guess is the offsets are
5 important. But the question is, how large are they?
6 Because I guess the real question in my mind is, are these
7 offset, the 49 percent number, does that apply to just the
8 cap and trade reduction requirement, or is it more
9 broadly, as USC was implying?

10 EXECUTIVE OFFICER GOLDSTENE: Kevin Kennedy from
11 the Office of Climate Change will answer that.

12 PROGRAM EVALUATION BRANCH CHIEF KENNEDY: The way
13 that the 49 percent -- which is viewed as an upper limit
14 we might actually set a lower limit -- would be applied
15 against the total reductions that are achieved starting
16 from whatever the level in the cap and trade program from
17 the level set for the 2012 cap and then as the reductions
18 go on. So as you get in the later years, that number does
19 start looking like a very large limit on offsets. It's
20 something that we will be working through.

21 The fundamental policy direction that we see in
22 the plan is that we want to have an offset limit that is
23 designed to make sure that there are significant
24 reductions from within the cap and trade program. So as
25 we work through the details of the rules and how we set

1 the limits, we will take a close look at the information
2 USC and others will put forward. If it looks like that is
3 too big of a limit in the out years, we'll re-visit the 49
4 percent. We're not set at we're going to do 49 percent.

5 BOARD MEMBER SPERLING: Perhaps a technical
6 question is when you say offset, is that within the WCI
7 area or the California area?

8 PROGRAM EVALUATION BRANCH CHIEF KENNEDY: In
9 terms of where the offsets could be coming from?

10 BOARD MEMBER SPERLING: Yeah. When does it count
11 as an offset?

12 PROGRAM EVALUATION BRANCH CHIEF KENNEDY: In
13 terms of where offset projects could be located, the
14 language in the plan says we would be looking to something
15 that would not have geographic limits. The sort of limits
16 that we are looking for. One is the quantity limit we're
17 talking about. But also making sure there are very
18 stringent rules so we feel very confident that the
19 reductions that we are looking at are real, additional,
20 verifiable, permanent, et cetera.

21 So we're looking at more the question of ensuring
22 the quality of the offset than trying to set a geographic
23 area where the project will be located.

24 BOARD MEMBER SPERLING: So if you buy a credit
25 from one of the WCI states or Canadian provinces from that

1 electric utility, is that an offset or is that credit
2 trade?

3 PROGRAM EVALUATION BRANCH CHIEF KENNEDY: If what
4 you are purchasing is an allowance that was issued by one
5 of the other partners that we had established the trading
6 relationship with, that would be an allowance. And that
7 would not count as an offset.

8 ACTING CHAIRPERSON ROBERTS: I think we're
9 leaving out several questions that are going to have to be
10 answered as part of the December, the 49 percent, the
11 geographic area, all these things I think --

12 BOARD MEMBER BALMES: If you want a sense of some
13 of the Board, I think 49 percent is way too high. I would
14 have trouble with that.

15 And I think then no geographic restrictions means
16 planting trees in Brazil would be an offset if it could be
17 verifiable. And I'm not saying that's a bad thing to do.
18 I'll all for planting trees in Brazil. But I'm not sure
19 that's the way I want to see the offset program for
20 California.

21 ACTING CHAIRPERSON ROBERTS: I think part of what
22 we're going to be wrestling with -- I'll just put this on
23 the table. Convince us that there's a health benefit
24 that's associated in the sort of region in which these
25 things take place. It seems like that health benefit if

1 it's going to happen needs to happen in California to the
2 extent that we're doing these things.

3 In addition to the greenhouse gas itself is a
4 whole series of other things that we're rolling out that
5 will happen. To the extent we're going outside the
6 geographic area to some other place on the planet, while
7 that net effect of the greenhouse gas is going to be the
8 same, we are losing some of the benefit there that we'd
9 like to see here.

10 So I think that's going to cause us all to have
11 some sleepless nights between now and December.

12 BOARD MEMBER D'ADAMO: And if I could just add, I
13 think of that cap on offsets and the geographic limitation
14 in a similar fashion that I look at the goal of
15 100 percent auction. I think we want to maybe consider
16 establishing goals. Start slow. Make sure we are doing
17 this program right. Maybe have geographic restrictions.

18 I think it goes to whether or not we can -- we
19 have a comfort level of verifiable offsets. It's a lot
20 easier to do it in your own backyard. To verify that once
21 the program gets going if it makes sense to go beyond,
22 let's re-visit that issue.

23 ACTING CHAIRPERSON ROBERTS: Well, I think I can
24 safely speak for everyone we have to have an iron clad
25 guarantee that the offsets are going to be there.

1 BOARD MEMBER HILL: And verifiable.

2 And I would agree with DeeDee's comments and Dr.
3 Balmes that 49 percent, it seems excessive. It doesn't
4 get us I don't think where we need to be, especially here.
5 So maybe if you bring back a lower number at the next
6 meeting.

7 EXECUTIVE OFFICER GOLDSTENE: It is an upper
8 limit as Kevin just pointed out. And it was a product of
9 extensive negotiations with the Western Climate Initiative
10 trying to come to a number. There were several members in
11 that process that wanted the ability to do much a greater
12 number.

13 So we felt at the staff level that we had
14 significant success getting it down to 49 percent as an
15 upper limit. Each member would ultimately decide what
16 they are comfortable with.

17 BOARD MEMBER D'ADAMO: Question. Did
18 negotiations include reference to the regional boundary on
19 offsets?

20 EXECUTIVE OFFICER GOLDSTENE: Yes. And there's
21 no geographic limit. As long as the offsets are verified
22 very high quality offsets -- because we're dealing with
23 the pollutant that's a worldwide pollutant theoretically
24 it's solid and verifiable. We can go into more detail if
25 you need.

1 ACTING CHAIRPERSON ROBERTS: Well, I want to get
2 through this.

3 Board Member Sperling has one other item.

4 BOARD MEMBER BERG: I just want to -- if we
5 discuss geographic boundaries I would like to know what
6 the economic impact. Because my understanding is that
7 there would be some strong economic impact if we bring the
8 boundaries in because it limits the offsets. So I just
9 think that we need to have both sides of the information.

10 EXECUTIVE OFFICER GOLDSTENE: Just to clarify the
11 point. Ms. Berg, offsets can have the effect of lowering
12 the cost of compliance, particularly at the beginning of
13 the program.

14 ACTING CHAIRPERSON ROBERTS: I think that's what
15 she's saying.

16 BOARD MEMBER BERG: That is my point. And --

17 ACTING CHAIRPERSON ROBERTS: If it's worldwide,
18 you're going to get lower costs associated, which is the
19 whole idea.

20 BOARD MEMBER BERG: Which goes to the cost
21 effectiveness piece of the legislation.

22 ACTING CHAIRPERSON ROBERTS: Board member
23 Sperling, before we leave this, one last comment.

24 BOARD MEMBER LOVERIDGE: Well, I want to make a
25 comment at the end --

1 ACTING CHAIRPERSON ROBERTS: Is it relative to
2 this?

3 BOARD MEMBER LOVERIDGE: Are we taking up
4 serially or the full disclosure --

5 ACTING CHAIRPERSON ROBERTS: Put your mike on.

6 BOARD MEMBER LOVERIDGE: I defer to them. But is
7 this the full disclosure of the Board member? Are we
8 taking up topics serially now.

9 ACTING CHAIRPERSON ROBERTS: We're doing
10 serially. I'm going to let Board Member Sperling get the
11 last of his three germane points out here.

12 BOARD MEMBER SPERLING: Third, and perhaps most
13 controversial, is the land use VMT issue. And just a
14 couple thoughts on this.

15 You know, one kind of sending a message to local
16 governments is that we do need to be sensitive to the
17 difficulties of local government. And we definitely
18 should not be seeing this as an unfunded mandate. And I
19 you think what that really means is we would be looking
20 seriously and aggressively at creating revenue streams,
21 incentive streams to support anything, any goals or
22 targets that might be imposed on the regions and the local
23 government. And I think that should be understood to be
24 part of the process.

25 Now, having said that, Chairman Nichols yesterday

1 used an expression that I think was very important. And
2 she said we need to think of these numerical targets as
3 stimulus for creativity. 11:47 a.m. I recorded that.

4 What that means is -- what it means I don't think
5 in this case we should be using a median value. We should
6 be sending a signal that this is something important to
7 focuses on these land use and VMT issues.

8 And I would note that transportation is arguably
9 the least innovative sector in our society. It's
10 functionally unchanged over the last 80 years. The same
11 used cars, trucks, same kinds of roads. And there hasn't
12 been much innovation. And there is a lot of opportunity
13 for innovation.

14 And we also have a situation where actually at
15 the April conference that we had in Aptos where one of the
16 city managers said that sprawl is the law. And I think
17 that is an expression that actually resonates with a lot
18 of people and is actually accurate. We have this
19 fiscalization of land use where, you know, cities have the
20 incentive to have more sales tax, more auto malls instead
21 of have more densification and compact development and so
22 son.

23 And so -- and we have things like traffic
24 engineering rules that require minimum a width of roads.
25 And we have all these rules that really contribute and

1 have essentially codified sprawl.

2 And so what we're doing here is creating an
3 incentive to start pushing back in the other direction.
4 And what we also talking about is when the staff analysis
5 focused on land use, the effects of land use and transit
6 investments but did not include market instruments in the
7 analysis for the five million tons. And I'm sympathetic
8 to those that say, well, we can't turn a ship in ten years
9 with land use. That you can only get modest improvements.
10 And that's probably right.

11 But the caveat to that is we're aiming for 2050.
12 So we need to start putting the right incentives in place.
13 And we can do a lot about VMT, vehicle miles traveled,
14 which is, you know, connected to land use but also
15 separate in many ways. There's many instruments to do
16 that.

17 And so for all of those reasons -- and for
18 another reason that there are large co-benefits. In fact,
19 there are huge co-benefits. I mean, just think about in
20 terms of reducing road infrastructure costs. Think about
21 the public health benefits. Creating more livable cities.

22 So if we set the target too low, it sends a
23 signal to the cities and the MPOs that they don't need to
24 put much effort into addressing these forces that are
25 creating sprawl and discouraging alternative modes of

1 travel.

2 So I think for all those reasons -- and I've gone
3 very carefully through the reports that were done that Dr.
4 Rotteau did for the ARB that reviewing and Richard Nelson
5 did for the NGOs. And I'm quite familiar with those kinds
6 of models. And I can happily go into those at some point.

7 But I think the outcome of all that is the five
8 million tons is probably quite a bit too low. And I don't
9 think it's appropriate here to start picking specific
10 numbers. But I think it would be good to have a little
11 discussion of this with the Board to see if there is
12 agreement that at least it should be a little more
13 aggressive than that.

14 ACTING CHAIRPERSON ROBERTS: I'm going to use a
15 timer on all the Board members now.

16 We're trying to put some topics here. We're not
17 going to try to resolve them. Yesterday we did discuss
18 that very thing, which I know was on Mr. Goldstene's list,
19 whether that limit is the right number and have a
20 discussion of that in detail. So I think there is a
21 strong interest at looking at a higher --

22 BOARD MEMBER LOVERIDGE: You know, Dan is
23 planning out the future cities and regions and so forth,
24 which is -- I agree with that planning sign or planning
25 objectives.

1 But I think this is a big issue is that we need
2 to spend not simply a number. We need to understand what
3 these numbers imply and what they're calling out and what
4 the costs are.

5 We do have SB 375 which is really landmark
6 legislation which I think we need to talk about how it
7 relates to this call. And I'm a little -- very wary of
8 this number movement of numbers up and down without asking
9 what are really the consequence.

10 We now have agreement among cities and counties
11 and regions with the current approach the 375 and through
12 I think what's in the Scoping Plan. And I'm wary of
13 essentially having CARB see itself as the land use
14 planning direction for the state of California. So I just
15 offer that as a thought.

16 BOARD MEMBER HILL: Mr. Chair, in order to
17 maximize the effectiveness of SB 375, we need to firm
18 ambitious land use targets in the Scoping Plan. And I
19 think that's what we could develop.

20 BOARD MEMBER LOVERIDGE: Every four years we can
21 go back in 375, and it seems to me really important to
22 start this out.

23 ACTING CHAIRPERSON ROBERTS: I think what is
24 needed is going to be some measurables here. As we start
25 to talk about smart -- I mean, everybody uses the term

1 smart growth. And it's defined really in a million
2 different ways and different environments.

3 Vehicle miles traveled is clearly one of the
4 things that we want to see reduced. In effect, you can't
5 reach your ultimate targets without seeing some
6 significant changes. And I think we all know that the
7 price of gasoline has done more to change vehicle miles
8 traveled than any single or multiple series of smart
9 growth policy over the last decade. It's immeasurable.
10 And if you tie that to some incentives, I think you'll
11 have local government's attention. And I think they can
12 best work out what those details are.

13 To the extent that we can come up with categories
14 such as vehicle miles traveled that are performance based
15 and a measure of how local communities are doing. I think
16 that needs to be a part of this.

17 But to start to get into all of the things.
18 There's a lot of new stuff that's coming. Just on my way
19 back from a conference -- and maybe miss name, but it was
20 Intelligent Transportation Systems that was held in New
21 York. And there's an awful lot coming. There's a lot of
22 innovative stuff that I think probably some of these Board
23 members aren't to be aware of. And it's absolutely
24 getting implemented. And there are changes in the last
25 couple of decades I assure you both in public transit and

1 in the public road system.

2 So I think the issue really is how can we -- what
3 are some of the benchmark things that we can be looking at
4 that we can set standards. And is there a way to tie
5 those to incentives, which I think was your original
6 suggestion. I think if you're going to get local
7 government to perform, that's an excellent way to do it.

8 BOARD MEMBER D'ADAMO: Well, a comment and a
9 suggestion.

10 I totally agree on the issue of vehicle miles
11 traveled. And I think it would be helpful for us to see a
12 chart. And I understand that the Scoping Plan number that
13 we have would provide for a four percent reduction in
14 vehicle miles traveled. And if you just take the
15 Sacramento blueprint, their blueprint is over our target.
16 So it seems that we can easily do more if we look at what
17 other regions are doing.

18 Looking at the Scoping Plan, on page 17, there's
19 this chart. I look at the chart like my tax forms.
20 There's above the line and below the line. And it seems
21 to me that under, you know, perhaps an approach I would
22 like to see as high of a target as possible, 10 or 11.
23 But recognizing that we may miss that target and is there
24 a way that we could put that target out there and not have
25 it impact the 174 number, but provide for an additional

1 amount in the event that we get there. So in other words,
2 something along the lines that the Chair was recommending
3 yesterday, a cushion.

4 BOARD MEMBER HILL: I like that.

5 BOARD MEMBER TELLES: Can I make a comment on
6 land use? You know, sprawl is not only a global warming
7 problem but it's an air pollution problem. And I know
8 most of you don't recognize the San Joaquin Valley as
9 being an innovative area. But I think we have a program
10 there that maybe satisfies local government as well as
11 accomplishing the goals of this. And that's the indirect
12 source rule.

13 If you'll realize how that was done, it was
14 actually done at the local level through an air district
15 where most of the members of the air district are county
16 supervisors with public testimony. And they worked
17 locally. And I think it's a good model to implement the
18 containment of sprawl, not only for the global warming
19 aspect, but it really combines the co-benefits. I think
20 if you want to maximize co-benefits, use the IRS model.
21 It will be tremendous. And I would really strongly
22 encourage the Board to consider that, direct the staff to
23 make that one of their major land use models or methods.

24 ACTING CHAIRPERSON ROBERTS: Any more comments on
25 land use?

1 OFFICE OF CLIMATE CHANGE CHIEF SHULOCK: Could I
2 make one -- sorry to interrupt.

3 But just in response to Ms. D'Adamo's point about
4 the above the line and below the line, one thing to keep
5 in mind is that in 2015 and beyond, these emissions from
6 the transportation sources would be included within the
7 cap. And to the extent that you achieve greater
8 reductions in that area, there would be lesser reductions
9 needed in some other area. And so unless you're changing
10 the cap, this above the line and below the line
11 distinction isn't really there.

12 BOARD MEMBER D'ADAMO: Maybe I misunderstood. I
13 thought there was a way for us not to affect that cap, but
14 to get more of a cushion.

15 BOARD MEMBER HILL: In case we don't make it in
16 other areas.

17 EXECUTIVE OFFICER GOLDSTENE: We can work that
18 out so it doesn't become problematic for the parts of
19 this. Like pushing on a balloon a little bit.

20 My understanding is the Board is interested in
21 sending a signal to local government leaders that we
22 really need to push hard in this area, in the SB 375
23 context, and generally within the plan. And seems that
24 maybe some of you want to send a signal.

25 ACTING CHAIRPERSON ROBERTS: Okay.

1 BOARD MEMBER LOVERIDGE: Let me just say the
2 signal has been set by the State through the 375. And it
3 a -- I mean a very tough -- very tough political process
4 and very difficult to achieve.

5 And I see agreement here. And you can ratchet
6 this up over time. But I just caution and offer to
7 redesign cities and counties and end sprawl and make the
8 good life, those are worthy objectives. But I think we
9 need to be cautious on what we're staking out.

10 BOARD MEMBER HILL: If I could respond, Mr.
11 Chair. The one issue and it was raised yesterday and I
12 know you raised it too, Mayor Loveridge, the
13 transportation, the dynamic in the state, and actually the
14 Governor's reduction of -- elimination of funding for
15 public transit in the state. I think if we establish a
16 higher goal in this segment, that will be an encouragement
17 and enticement and pressure perhaps coming from the local
18 government and transit agencies to meet that goal by
19 pushing to get that revenue reinstated in some form.

20 BOARD MEMBER BALMES: I'm going to miss you,
21 Jerry, because exactly what I wanted to say.

22 ACTING CHAIRPERSON ROBERTS: As a Transit Board
23 Member, I'm tell you the first Assemblyman I'm going to be
24 visiting.

25 I think we've killed this one with enough

1 comments.

2 EXECUTIVE OFFICER GOLDSTENE: Maybe if I could
3 make a point.

4 Just particularly back on the issue about let's
5 say the percentage of offsets that are allowed, which is
6 something we'll be working on directly with our regulatory
7 program. That the Board doesn't have to sort this out
8 with a specific number as an example right now or even in
9 December.

10 You can express your concern to us. And as we
11 move forward in the development of the rule, we'll be
12 coming back to you and doing further analysis and working
13 with over next year, two years on these issues. So we
14 don't have to answer everything now.

15 Expressing your concern is certainly appropriate.
16 We can reflect that.

17 On land use, that's a little bit different with
18 all of SB 375. That process is beginning now, and we'll
19 be back to the Board at the end of the year with the
20 proposed targets for the regions.

21 BOARD MEMBER D'ADAMO: On the issue of offsets
22 and also allowances, I'd feel best if you could update us
23 frequently so that we can be engaged in the process. I
24 realize that staff is constantly engaged in discussions
25 with the Western Climate Initiatives and some of the other

1 efforts national and international.

2 And what I would hate to see is when you bring
3 the program back to us that it would be too late for us to
4 make adjustments.

5 EXECUTIVE OFFICER GOLDSTENE: We wouldn't let
6 that happen. That's a very important part of our plan in
7 communicating with you and getting your final direction.

8 ACTING CHAIRPERSON ROBERTS: Okay.

9 Mayor Loveridge.

10 BOARD MEMBER LOVERIDGE: Two other things.

11 One is just staff comment on the SCAAPA
12 presentation about no wealth transfers. Could you comment
13 on that language?

14 EXECUTIVE OFFICER GOLDSTENE: I know that Kevin
15 Kennedy and Chuck are involved in that in more detail.

16 PROGRAM EVALUATION BRANCH CHIEF KENNEDY: We are
17 essentially very aware of the issue that SCAAPA and others
18 have had about the potential for wealth transfer. It's an
19 area we will be taking very seriously as we go through
20 working out the distribution of allowances and use of
21 revenue in the cap and trade rulemaking.

22 So without immediate specific comment on the
23 particular language that they were proposing, it is an
24 issue we'll be taking up very much. And to the extent to
25 which the Board wants to give us direction to either put

1 some language into the plan or include language in the
2 resolution to make sure that we work through that issue as
3 we go forward, we will be able to do that.

4 BOARD MEMBER LOVERIDGE: The other one -- just a
5 comment you don't need to take any further with. But I
6 mean I really support Thomas Friedman's call for cleaner
7 air pollution which centered on energy technology.

8 I was caught by what Oregon announced where they
9 had yesterday talked about Renault-Nissan and the state of
10 Oregon formed a zero emission vehicle partnership. But
11 it's the idea of the State trying to get actively involved
12 in stimulating energy technology.

13 I'm not quite sure if they do that through the
14 centers or something. But waiting for it to happen, maybe
15 there's a way state of California can more actively engage
16 in this question of promoting energy technology. So just
17 raise that as a question.

18 ACTING CHAIRPERSON ROBERTS: I think they've
19 shown a strong commitment to that and I think the
20 California Fuel Cell Partnership and Oregon did when they
21 announced yesterday. So I think there is a lot going on.

22 I think my observation is that the thing I guess
23 I would be most concerned about with some considerable
24 years on this Board is the reason why we've had a lot of
25 progress in the things we have is we have kept the big

1 picture in sight. We've had a lot of testimony that leads
2 me to believe that saving the planet is secondary to
3 making sure we get new sidewalks in my neighborhood type
4 of attitudes.

5 And I think to the extent that we keep that big
6 picture and figure out what the appropriate role, the
7 geographic offsets and other things that we make this an
8 economic plan, a plan that has basically built into it the
9 means to succeed and don't try to hang too many other
10 benefits, if you will. I think we'll have a greater
11 success with what the primary mission is here. The
12 primary mission's not worth doing.

13 So with that, I think the staff has plenty of
14 things that they'll have to bring back before us for
15 discussion in December. And we can have a very amicable
16 meeting and resolve all this probably in a half hour or
17 so.

18 EXECUTIVE OFFICER GOLDSTENE: Supervisor Roberts,
19 on that point, I just want to get some clarification on a
20 direction from the Board on the land use item. Would you
21 like us to try to incorporate a stretch goal in there?

22 ACTING CHAIRPERSON ROBERTS: Yeah. I think
23 there's strong consensus for you -- and I don't think
24 anybody is suggesting a number here. But we'd like
25 something in the 10 to 15 -- something in excess of 10.

1 Why don't you take a look at it and bring back a well
2 thought out recommendation.

3 BOARD MEMBER LOVERIDGE: I just say, you need to
4 know the consequences of what these numbers mean. They're
5 not just abstract numbers. We could say why not go to 50.
6 I mean, there needs to be some measurement of what it is
7 that we are throwing out.

8 ACTING CHAIRPERSON ROBERTS: Okay.

9 BOARD MEMBER BERG: I think Mayor Loveridge and I
10 will be the -- I'm in agreement that I think we do need to
11 let SB 375 also work the process. And so we'll bring it
12 back and debate it I think.

13 ACTING CHAIRPERSON ROBERTS: And I think that I
14 hope staff is going to take that into consideration. And
15 maybe your recommendation after looking at it may be to
16 leave it alone. But let's be prepared for a discussion on
17 that.

18 BOARD MEMBER TELLES: And please don't ignore the
19 ISR type method.

20 ACTING CHAIRPERSON ROBERTS: Okay. I agree.

21 BOARD MEMBER D'ADAMO: I've got one other item.
22 I can't -- you're still going through?

23 EXECUTIVE OFFICER GOLDSTENE: No. It doesn't
24 seem to be going in any order.

25 ACTING CHAIRPERSON ROBERTS: Did you have

1 anything left on your list?

2 EXECUTIVE OFFICER GOLDSTENE: There are a number
3 of items.

4 ACTING CHAIRPERSON ROBERTS: Go ahead.

5 EXECUTIVE OFFICER GOLDSTENE: Cumulative impacts
6 item, public health -- I don't know what you'd like to
7 take up next.

8 ACTING CHAIRPERSON ROBERTS: Why don't you go off
9 of your list.

10 EXECUTIVE OFFICER GOLDSTENE: Well, public health
11 is next on my list. And I know Dr. Balmes had some
12 questions.

13 BOARD MEMBER BALMES: So I would like to propose
14 that staff consider establishing a formal approach to
15 involve public health professionals both from the state
16 and local governments and other institutions and other
17 public health organizations.

18 And I've talked to Mary about this. And she was
19 sort of in general conceptual agreement, not in terms of
20 any details I propose here. I don't want to put words in
21 her mouth.

22 Something like a public health advisory
23 committee. I guess that would be a PHAC, like ETAAC and
24 EJAC. And that this -- I actually think as Mary brought
25 up yesterday that ETAAC and EJAC need to talk to each

1 other. And I would like to see the public health
2 committee, the PHAC, be part of that conversation.

3 And then I would -- as Mr. Goldstene mentioned, I
4 would propose that California Department of Public Health
5 be included in the Climate Action Team. I realize that's
6 a Cal/EPA at-large team --

7 OFFICE OF CLIMATE CHANGE CHIEF SHULOCK: That has
8 already happened.

9 BOARD MEMBER BALMES: Okay. Great.

10 And the other thing I would want -- this is
11 somewhat of a detail. But I want to put it before the
12 staff that the consideration be given to providing some
13 support to the California Department of Public Health to
14 track health effects of climate change over the long haul.

15 EXECUTIVE OFFICER GOLDSTENE: You mean budget
16 money?

17 BOARD MEMBER BALMES: Yes. It was mentioned in
18 testimony.

19 Specifically, they are actually already starting
20 to track climate change health effects, but they're doing
21 it off of soft money from CDC. That's a detail, but I
22 just want to throw it out.

23 ACTING CHAIRPERSON ROBERTS: Anything else on
24 public health?

25 BOARD MEMBER TELLES: I have quite a few items on

1 public health.

2 I think from the get-go -- and AB 32 says this.
3 We need to protect vulnerable communities. And to do
4 that, you have to have a system to know where the
5 vulnerable communities are. I think a couple of
6 testimonies mentioned this. And I think we should
7 implement that system of looking for the vulnerable
8 communities and being able to predict what's going to
9 happen before the process begins. And you need a time
10 line to do that. I don't know. Six months or a year or
11 whatever. But you need to find out where the communities
12 are and what potential impacts of this is going to be.

13 And then I think in the future, too, if there is
14 going to be a project or industry developing in a
15 community, it has to be looked at as far as the health
16 impacts in that community. And I you think a lot of these
17 have been outlined in some of the written testimony. And
18 you can review that.

19 EXECUTIVE OFFICER GOLDSTENE: Okay. You're
20 referring specifically to the Coalition for Clean Air?

21 BOARD MEMBER HILL: The cumulative impact
22 resolution additions.

23 BOARD MEMBER TELLES: They outlined it very well.

24 EXECUTIVE OFFICER GOLDSTENE: We can work on
25 something like that. There are some issues with the

1 quality of the tools that are available to do that and the
2 policy implications of doing that. But we'll review that.

3 ACTING CHAIRPERSON ROBERTS: You also have your
4 existing California environmental rules that require the
5 impacts analysis. I know we want to have a redundancy. I
6 want to make sure we're in sync with the other things that
7 are required already operating.

8 BOARD MEMBER BALMES: If I might just chime in
9 here.

10 I've had some discussions with both Chairman
11 Nichols, Ms. Terry. I think that staff's already working
12 towards trying to develop a cumulative impact assessment
13 tool. There's one that was mentioned in testimony that
14 the Board has been funding for the last few years. But
15 even before that's ready for prime time, I think we have
16 some mechanisms for trying to determine the most impacted
17 communities.

18 And I think it's necessary for us to have that
19 information when we're considering specific measures down
20 the road in terms of AB 32 implementation. Things really
21 required by the law. And for us to deal with these issues
22 and having that information -- I'm kind of a data driven
23 guy -- I think we need information. So I think it's an
24 important way we have to go forward.

25 BOARD MEMBER TELLES: Just one other thing on the

1 public health. I know it's kind of a fuzzy goal to have a
2 happy place, like one of the testifiers mentioned the
3 other day. But I think the potential health impact of
4 having a happy place, a pedestrian world where you can
5 ride a bike to work or walk to work without worrying about
6 getting run over by a car, this is basically re-designing
7 land use in communities. It will have a huge health
8 impact.

9 One of the problems in our society which was
10 mentioned yesterday is obesity. And I think if we don't
11 encourage walking like it's done in Europe -- you can go
12 to Europe, obesity doesn't exist. And that's because
13 communities are designed differently. And it's something
14 that we don't think about. But 30 and 40 percent of the
15 population is obese. Huge impact from cardiovascular
16 diabetes. This is a co-benefit that's not measurable.
17 But it's real. And I think if we re-design our
18 communities, and this is a process do that -- we can
19 figure this out. I encourage staff to work with that.

20 EXECUTIVE OFFICER GOLDSTENE: Okay.

21 ACTING CHAIRPERSON ROBERTS: I'm going to reserve
22 comment on that, because I think you now are getting down
23 way beyond what we should be. And you're into the
24 sidewalk thing. That's okay. We have to decide what
25 we're doing here. And I think you're really doing it in

1 the absence of a lot of understanding of what's going on
2 at the local level.

3 BOARD MEMBER TELLES: Okay.

4 ACTING CHAIRPERSON ROBERTS: We can talk further
5 about that. Let's try to keep the big picture.

6 What else is on the list?

7 EXECUTIVE OFFICER GOLDSTONE: Next thing on the
8 list was the issue relating to voluntary renewable
9 purchases. And I could ask my staff to frame that just
10 for a moment. Several people testified on that.

11 PROGRAM EVALUATION BRANCH CHIEF KENNEDY: This is
12 an issue that as Mr. Goldstone just mentioned a number of
13 people testified about having to do with there is an
14 ongoing voluntary renewable purchase market where various
15 companies and individuals are buying renewables, willing
16 to make those purchases in order to help reduce greenhouse
17 gases.

18 The Scoping Plan at this point is silent on what
19 sort of role those sorts of purchases might play going
20 forward. It's an issue that we expect to take up in the
21 cap and trade program.

22 But the concern that we have been hearing since
23 we put out the proposed plan is that simply silence from
24 on the issue and a promise to take it up later could
25 actually cause problems in terms of the market in the near

1 term. That people may be less willing to make purchases
2 while we're working out the rules if they don't know
3 clearly it's something we can take up in the rulemaking.
4 That's fundamentally the issue that you were hearing from
5 a number of in both written comments and the testimony
6 over the last few days.

7 ACTING CHAIRPERSON ROBERTS: Might be good to
8 address it in some way to provide the confidence.

9 PROGRAM EVALUATION BRANCH CHIEF KENNEDY: And
10 certainly there is the possibility of including some
11 language. There is a number of spots in the plan itself
12 or including language in the resolution where it would be
13 possible to address that issue.

14 BOARD MEMBER LOVERIDGE: What's the down side?

15 PROGRAM EVALUATION BRANCH CHIEF KENNEDY: Well,
16 there's two levels at which you can address the issue.

17 What we have been talking about at the staff
18 level is essentially meeting open that this is an issue
19 that we'll address going forward. And I think there's
20 relatively little down side to that.

21 I think as we get into addressing the issue, one
22 way of addressing it would have the effect in basically of
23 lowering the cap within the cap and trade system. That
24 there would be people who have concerns about that aspect
25 of it. So it becomes a trade-off between incentives for

1 reductions achieved one sort of way versus what that means
2 for the larger system.

3 That's the sort of issue we expect to work out in
4 the course of the cap and trade system. We would expect
5 to be coming back to the Board with discussions about that
6 as that rulemaking goes forward.

7 ACTING CHAIRPERSON ROBERTS: Okay. Next topic.

8 EXECUTIVE OFFICER GOLDSTENE: The offset -- I
9 guess we've covered offsets.

10 Agriculture, several people made comments
11 yesterday about how we're treating ag in the Scoping Plan.
12 I think several people wanted ag to have mandatory
13 requirements. I know Cynthia Corey today came to explain
14 ag is already dealt with to some extent. We can go into
15 more detail. Maybe Ms. Terry can explain what we
16 currently have in the plan and see how the Board would
17 like to respond to the comments that we receive.

18 DEPUTY EXECUTIVE OFFICER TERRY: I do want to
19 follow up on Cynthia Corey's comments that staff did look
20 very closely at the work that was done by the ETAAC
21 Committee on that sector.

22 And so the broad brush issue really is methane
23 capture. And there is a measure in the plan just as a
24 reminder that is a voluntary strategy that recognizes sort
25 of the state of those types of projects. So really a

1 demonstration phase.

2 The Energy Commission has provided funding for
3 methane digesters. And there are a number of projects
4 that are still in the permitting stage. But we are very
5 hopeful that by putting this in as a voluntary strategy it
6 will attract private capital as well as grant monies and
7 really demonstrate the cost effectiveness so that when we
8 come back with the plan review in five years, there will
9 be a good base of information for the Board to decide
10 whether it should be a regulatory measure at that point.

11 The other major issue for agriculture is N2O
12 emissions, primary from fertilizer. Soil disturbance is
13 also an issue. There is a research project that ARB is
14 funding in collaboration with other stakeholders. The
15 first phase is to look at the emissions. And then second
16 phase would -- once the emission estimates are completed
17 would be to look at potential strategies to reduce the
18 emissions based on the findings of Phase I. So those are
19 the key elements of the strategies at this point.

20 And as with many other issues with respect to
21 agriculture, we're really looking at additional
22 comprehensive research projects to really advance the
23 science and look worldwide.

24 There are some life cycle issues with respect to
25 agriculture that we think can show some promise if we can

1 identify more work that can be done there.

2 And then lastly on the issue of land conversion,
3 this comes up in forestry as well as agriculture and the
4 SB 375 discussion we just had, we would really like to see
5 in the land use planning process look at the issue of
6 conversion of agricultural lands to sprawl and hopefully
7 avoid that. And that is actually an important part of the
8 ag picture as well.

9 ACTING CHAIRPERSON ROBERTS: Okay.

10 BOARD MEMBER TELLES: Comment on agriculture.

11 I'm from an ag region and grew up in an ag family, there
12 are -- contrary to popular belief, there are voluntary
13 efforts actually going on right now.

14 The other day I was talking do Mr. Maddocks who
15 has a large dairy. And he's 75 years old and voluntarily
16 started his own methane digester prior to any funding
17 anything. And he has a technology that's working on his
18 dairy that can power up all the electricity in his dairy.

19 I think that type of thing with the right
20 incentives would be very helpful would not spread from his
21 dairy but to all of the dairies in the San Joaquin Valley.
22 There are a million and a half cows in the San Joaquin
23 Valley. And there is great opportunity to reduce methane
24 as well as the co-benefits again as far as the pollution
25 these dairies create. And if this's any incentives that

1 can come to the agricultural sector to help do that I
2 think would be a big co-benefit from the health point of
3 view as well as global warming point of view.

4 ACTING CHAIRPERSON ROBERTS: Okay. I think we're
5 ready for the next topic.

6 EXECUTIVE OFFICER GOLDSTENE: The next topic is
7 mandatory commercial recycling. We heard the Chair of the
8 Integrated Waste Management Board present on that and
9 several others.

10 ACTING CHAIRPERSON ROBERTS: Several others made
11 reference. I think we need some -- Dee Dee.

12 BOARD MEMBER D'ADAMO: I think we need to a
13 assign a target. And I understand this all happened
14 within the last couple of days. So if staff could do
15 further work on that and come back with a target that
16 makes sense.

17 EXECUTIVE OFFICER GOLDSTENE: We will. We'll
18 work with the Integrated Waste Management Board on that
19 too.

20 ACTING CHAIRPERSON ROBERTS: I don't see anybody
21 dissenting from that.

22 What's your next topic?

23 EXECUTIVE OFFICER GOLDSTENE: Next topic is
24 forestry.

25 BOARD MEMBER HILL: I have a question, Mr. Chair.

1 Who will maintain the responsibility for the
2 accounting standards. And I know there were a number of
3 agencies that will be dealing with Board related climate
4 change issues. Will ARB have that responsibility?

5 EXECUTIVE OFFICER GOLDSTENE: The Climate Action
6 Team will have a role. Ultimately, we're responsible for
7 attracting and sharing accountability, meeting the plan's
8 targets. So we have had a team of people who will be
9 monitoring the success as we move forward and provide
10 regular updates to the Board.

11 BOARD MEMBER HILL: And that is in the plan and
12 does designate ARB as that person, that agency
13 responsible?

14 DEPUTY EXECUTIVE OFFICER TERRY: I might add in
15 yesterday's testimony from the state agencies, Resources
16 Agency representative Tony Brunello was here. And he
17 talked briefly about their proposal for an interagency
18 working group that would look all at of these issues of
19 implementation, including accounting.

20 And we actually are working on some proposed
21 language for the Board to consider with respect to
22 recognizing some of the issues, fuels treatment, the
23 appendix language, as well as the potential implementation
24 mechanism. And it would include not just Resources, ARB,
25 CalFire, but also Fish and Game which we think is really

1 important to look at the issue more broadly and does
2 respond to some of the comments.

3 BOARD MEMBER HILL: I think it's important that
4 ARB be the agency responsible for maintaining the
5 accounting and everything, the overall.

6 DEPUTY EXECUTIVE OFFICER TERRY: I think there's
7 language in the plan as a whole that it is the
8 responsibility of staff to report back to the Board for
9 accounting and progress towards the plan for all sectors.

10 BOARD MEMBER HILL: Thank you.

11 ACTING CHAIRPERSON ROBERTS: Okay. Is there any
12 other issues you need to we get feed back on?

13 EXECUTIVE OFFICER GOLDSTENE: We have -- well, I
14 was going to move to forestry. I think there was some
15 issues about accounting. I think most people are pleased
16 with the no net loss part of the plan, but others want
17 more.

18 ACTING CHAIRPERSON ROBERTS: Okay.

19 BOARD MEMBER D'ADAMO: I want to make sure that
20 the appendix issue is taking care of and we're not picking
21 certain methods at this early stage and that it be
22 scientifically based.

23 And on the accounting, I think the concern I have
24 is on cross sectors. And do we have enough assurances
25 within the Scoping Plan to accurately account for not just

1 forestry but cross sector.

2 EXECUTIVE OFFICER GOLDSTENE: I'm not sure what
3 you mean by cross sector. Relative to forestry
4 or everything?

5 BOARD MEMBER D'ADAMO: Yes. Well, the other
6 sectors where we could be double counting.

7 DEPUTY EXECUTIVE OFFICER TERRY: Perhaps in
8 response to some of the comments, we have gone back and
9 looked at the appendix on forestry as an example. And I
10 think there will be some cleanup on the numbers with
11 respect to biomass and renewables. And that's a start.
12 But as the plan is implemented, we try to be clear that
13 there's definitely overlap with these strategies and there
14 are accounting issues with respect to many of the sectors.

15 BOARD MEMBER BALMES: I have a specific question.
16 I heard from several interested stakeholders concern that
17 there be an additional metric with regard to accumulative
18 carbon stock to look at changes over time. And I don't
19 know if staff wants to comment about that now and whether
20 that's a good idea or not.

21 DEPUTY EXECUTIVE OFFICER TERRY: Actually, I
22 thought that was an interesting comment. And I think
23 that's a good topic for the work group to look at.

24 ACTING CHAIRPERSON ROBERTS: Okay. We've
25 exhausted forestry.

1 EXECUTIVE OFFICER GOLDSTENE: Dr. Balmes raised
2 questions about industrial audits I think.

3 BOARD MEMBER BALMES: Yes. Well, I think we
4 heard yesterday that Dr. Telles enjoys public comments
5 better than reading the Scoping Plan. My favorite moment
6 in this process is when Chuck Shulock called me before the
7 June meeting and said, "I wanted to let you know, Dr.
8 Balmes, we've added this industrial audit measure that
9 really is a mechanism to get information about
10 co-benefits." And that was my favorite moment in this
11 process. My happy moment.

12 And so I really like that staff added this. But
13 I think it could be stronger. And, you know, I think was
14 it a .5 million metric ton emission threshold right now.
15 And I don't know if this is correct, but it's been
16 suggested to me that that would allow small refineries to
17 be under that threshold. And so I think to maximize
18 getting the information about potential co-benefits that
19 that could be -- I would like staff to explore a lower
20 threshold in that regard.

21 DEPUTY EXECUTIVE OFFICER SCHEIBLE: All we need
22 is your direction to do that, because we'll be coming back
23 with actually a rule to implement that measure. And in
24 that rule, we'll look at the benefits and economics of
25 expanding it and how to do it exactly. So we'll deal with

1 that in great detail.

2 BOARD MEMBER BALMES: Great.

3 ACTING CHAIRPERSON ROBERTS: Okay. Next topic.

4 EXECUTIVE OFFICER GOLDSTENE: Next topic is the
5 economic analysis. Several representatives spoke on the
6 economic analysis. And I don't know if you have any
7 questions.

8 ACTING CHAIRPERSON ROBERTS: I think Board Member
9 D'Adamo and Berg and a number of others that mentioned --
10 I think in review of everything that's happened more
11 recently as well as just to have a greater sense of
12 confidence in these projections --

13 BOARD MEMBER D'ADAMO: I have a specific request
14 that we have staff come back with a more detailed economic
15 and public health analysis in one year or prior to
16 adopting any major regulation, specifically cap and trade.
17 So I don't know if the one year fits in with that time
18 frame.

19 EXECUTIVE OFFICER GOLDSTENE: It does. And we
20 know that we need to continually analyze the plan as we go
21 forward and at least an annual update to the Board. I
22 think that makes sense. It will take us a while. I don't
23 think the first update should happen until the end of next
24 year, because we won't have that much information until
25 then to know how we're doing.

1 But also as we are proceeding in the rulemakings.
2 For instance, as I mentioned yesterday, the low carbon
3 fuel standards rule will be coming to the Board in March
4 that will have much more refined level of economic
5 analysis then we were able to do on the plan, which is a
6 very high level. Each measure will have its own economic
7 analysis.

8 ACTING CHAIRPERSON ROBERTS: Sandy.

9 BOARD MEMBER BERG: One thing that in the Scoping
10 Plan we're looking at an economic analysis of everything.
11 When we start getting into rules, one thing we don't do is
12 add rules up to start seeing what the overall the
13 cumulative effect of the economic impact is. We kind of
14 stay in a box in that. And I just think we need to be
15 mindful and we do need to be cautious. Thank you.

16 ACTING CHAIRPERSON ROBERTS: Okay. Next topic.

17 EXECUTIVE OFFICER GOLDSTENE: That's my list.
18 There might have been other things.

19 ACTING CHAIRPERSON ROBERTS: Cumulative impacts
20 we talked about. Okay.

21 BOARD MEMBER TELLES: General comment.

22 ACTING CHAIRPERSON ROBERTS: General comment.

23 BOARD MEMBER TELLES: Not to give you another
24 headache or rain on your parade, but I think the plan has
25 a fundamental scientific flaw and that --

1 BOARD MEMBER HILL: Did that phone ring?

2 EXECUTIVE OFFICER GOLDSTENE: That wasn't on my
3 list.

4 BOARD MEMBER TELLES: And that this is all
5 predicated on kind of measuring what we're doing as far as
6 thinking what we're doing as far as reducing emissions.
7 But it's not actually measuring emissions.

8 And I think somewhere along the line we should
9 have the process of actually measuring emissions put into
10 our report cards.

11 By measuring emissions, I don't mean putting a
12 CO2 monitor on a smoke stack. I'm talking about using
13 some of these computer models that some of the
14 geoscientists have as far as being able to measure CO2
15 production in low regional areas.

16 And the reason why that's so important is the
17 primary reason to do this is to reduce CO2 production.
18 It's been shown in some of the plans throughout the world
19 that this process we're doing sometimes overestimate,
20 sometimes underestimates what we're actually doing. And I
21 think to validate that you need a little bit of more
22 scientific measurement than just kind of this emission
23 inventory that we have.

24 I don't know how feasible that is. But I would
25 imagine if the federal government is going to get involved

1 in this and they can put the resources of all the
2 resources of the federal government in doing this that it
3 would be very helpful to really carefully monitor what's
4 happening.

5 EXECUTIVE OFFICER GOLDSTENE: So you're asking us
6 a look into the ambient monitoring of CO2 not just making
7 measurements of combustion measurements. I know there's
8 been discussion about that.

9 ACTING CHAIRPERSON ROBERTS: We'll work with
10 other air districts.

11 BOARD MEMBER TELLES: This comes out of San Diego
12 County. Comes out of a geophysicist at Scripps, one of
13 your constituents.

14 EXECUTIVE OFFICER GOLDSTENE: We'll look into
15 that and get back to you.

16 BOARD MEMBER KENNARD: Let me take a little
17 different tact. And I apologize I missed the entirety of
18 the discussion yesterday. I can only anticipate that
19 there was a lot of breadth and depth of discussion.

20 Let me take a different tack. I have to say I
21 find this Scoping Plan to be extraordinary in many ways.
22 It's extremely thoughtful. The amount of public input was
23 just amazing and to the credit of the staff.

24 I'd like to caution my fellow Board members that
25 this is not an exact science. This is a fluid process.

1 And we as Board members need to stay at the 50,000 foot
2 level and allow our very, very experienced staff to
3 provide guidance.

4 And I would hate to get to the point where we are
5 requesting details that are beyond the staff's ability to,
6 one, answer and creating a plan that is so detailed that
7 it's almost impossible to have the result it's intended
8 to. So I want us to be careful.

9 ACTING CHAIRPERSON ROBERTS: Thank you. I was
10 trying to say that but not as eloquently earlier. But
11 thank you.

12 You missed the testimony and with it the lavish
13 praise that was heaped on staff at numerous opportunities.
14 Some of it wasn't very sincere I think. But for the most
15 part it was.

16 Okay. Do we have any -- Mayor Loveridge.

17 BOARD MEMBER LOVERIDGE: Just to pile on to that
18 comment, it seems to me one of the lessons that you don't
19 want the perfect to stand in the way of the good.

20 I think it was the overwhelming agreement on the
21 goodness of this plan that we heard here yesterday.

22 The other was I thought Mary's point, which I
23 think is so important. This is not the end. This is the
24 start. This is the beginning. This is we're establishing
25 directions. I thought that point was really important to

1 make.

2 ACTING CHAIRPERSON ROBERTS: There will be a lot
3 of work left after December event. We'll keep that in
4 mind.

5 With that, do we have to do anything else to this
6 today? There's no other further action.

7 EXECUTIVE OFFICER GOLDSTENE: No action. We will
8 proceed with the direction that you've given us and get
9 back to as we proceed and prepare for the December 11th
10 meeting for adoption.

11 ACTING CHAIRPERSON ROBERTS: Okay. With that,
12 we're going to move into the next item. This is Item
13 8-10-3, amendments to the current regulations for small
14 off-road engines.

15 Staff is proposing amendments that would address
16 the excessive accumulation of emission credits which has
17 led to a situation where over 75 percent of small off-road
18 engines do not need to meet the emission standards
19 currently in effect.

20 Staff is also introducing changes to the credit
21 program which will help ensure advancement of cleaner
22 engine technology while preserving manufacturer compliance
23 flexibility.

24 Mr. Goldstene, would you begin this item?

25 EXECUTIVE OFFICER GOLDSTENE: Thank you,

1 Supervisor Roberts.

2 Today staff is proposing to amend California's
3 existing small off-road engine regulations. Small
4 off-road engines are those engines below 19 kilowatts and
5 are typically found in leaf blowers, chain saws, and lawn
6 mowers.

7 Currently, the regulations include an emission
8 credit program. Staff's proposed amendments would reduce
9 the amount of emission credits generated and used to
10 reduce the impacts on air quality and increase the number
11 of engines that meet the emissions standards.
12 Furthermore, staff is proposing changes to encourage the
13 use of advanced emission control technologies.

14 In 2003, the Board approved Tier 3 emission
15 standards for these engines. These standards were based
16 on the use of catalytic converters and represented an
17 additional 35 percent reduction in exhaust emissions from
18 the previous hydrocarbon and oxide of nitrogen emission
19 standards.

20 This year, 2008, is when all small off-road
21 engines should have met the Tier 3 emissions standards.
22 However, as you mentioned, staff has found that over 70
23 percent of small off-road engines are certified at a level
24 higher than the emission standards throughout the use of
25 credits.

1 As of the end of the 2007 model year, more than
2 10,000 tons of hydrocarbon and oxides of nitrogen
3 emissions were banked. If these credits were expended
4 over five years, that would represent an emissions
5 increase of about 5.4 tons per day. Because it's unknown
6 when these credits may be used, they could jeopardize
7 California's SIP attainment. As a result, staff is
8 proposing to modify the emissions credit program by
9 limiting the lifetime of certification emission credits to
10 five years and by introducing zero emission equipment
11 credit.

12 The first two proposed changes would better
13 control the emission credit banks while zero emission
14 equipment credits would encourage the use of advanced
15 technologies. Other relatively minor modifications are
16 also being proposed and they'll be discussed in the staff
17 presentation.

18 I'll now turn the presentation over to Yun Hui
19 Park of the Off-Road Control Section.

20 (Thereupon an overhead presentation was
21 presented as follows.)

22 MS. PARK: Thank you, Mr. Goldstene. Good
23 morning, Supervisor Roberts and members of the Board.

24 The following presentation is the staff's
25 proposal to amend California's small off-road engine

1 regulations with an emphasis on improving the emission
2 credits program.

3 --o0o--

4 MS. PARK: First, I will provide some background
5 information to explain the need for these amendments, then
6 present staff's proposed modifications, followed by
7 staff's recommendation.

8 --o0o--

9 MS. PARK: To begin, here are examples of the
10 types of equipment which will be affected by the proposal.
11 Small off-road engines are spark ignition engines with a
12 power rating of less than 19 kilowatts or about 25
13 horsepower. The engines are installed in a variety of
14 lawn and garden equipment and utility equipment typically
15 categorized based on the size of the engine.

16 For example, engines less than 80 cubic
17 centimeters are usually used in hand held applications
18 such as leaf blowers, string trimmers, and chainsaws.

19 Engines between 80 and 225 cubic centimeters are
20 usually installed in non-hand held equipment such as walk
21 behind lawn mowers. Engines greater than 225 cubic
22 centimeters are typically used in equipment such as riding
23 mowers.

24 --o0o--

25 MS. PARK: In 2003, the Board adopted the Tier 3

1 emission standards which were based on the use of advanced
2 technology such as catalytic converters and would achieve
3 approximately a 35 percent reduction of hydrocarbons and
4 oxides of nitrogen emissions compared to the Tier 2
5 exhaust emission standards. These emission reductions
6 however have not been realized as originally planned. The
7 reason for this is explained in the next four slides.

8 --o0o--

9 MS. PARK: Before the Tier 3 emissions standards
10 took effect, small off-road engines were subject to the
11 Tier 2 standards and were able to generate and bank
12 emission credits under the existing emission credit
13 program.

14 At the 2003 hearing, safety issues surrounding
15 the use of catalytic converters greatly overshadowed all
16 other issues, including a flawed emission credit program.
17 Thus, no revisions to the emission credit program were
18 proposed at that time.

19 As shown here, because of the large unintended
20 surplus of banked emission credits, the majority of 2008
21 small off-road engines do not meet the Tier 3 emission
22 standards. Of particular concern, for example, are the 80
23 to this 225 cubic centimeter engines, which are used
24 mostly in lawn mowers. Here, over 90 percent of these
25 engines were certified at an emission level above the

1 --o0o--

2 MS. PARK: Because of these flaws in the existing
3 emission credit program, credit banks have grown the over
4 10,000 tons of hydrocarbons and oxide of nitrogen
5 emissions. If the existing emission credit program is not
6 revised, the credit banks could continue to grown.
7 Because these credits do not represent real emission
8 reductions, SIP attainment could be jeopardized.

9 --o0o--

10 MS. PARK: To remedy this situation, staff is
11 proposing the following changes. Staff proposes to limit
12 the lifetime of certification credits to five years which
13 is equivalent to the average useful life of small off-road
14 equipment. Staff also proposes to end generation of
15 production emission credits. This is appropriate because
16 production emission credits do not represent real,
17 enforceable reductions. And as mentioned, no other mobile
18 source emission program allows them.

19 The proposal could not take away previously
20 generated production emission credits but instead would
21 allow their use through the 2010 model year.

22 --o0o--

23 MS. PARK: In addition to the changes effecting
24 the existing credits, staff is proposing to introduce zero
25 emission equipment credits. These credits would encourage

1 proposed amendments, staff believes we will achieve the
2 hydrocarbon and oxides of nitrogen benefits as shown here
3 and originally determined in our 2003 rule making.

4 --o0o--

5 MS. PARK: In conclusion, staff's proposal would
6 preserve the benefits from Tier 3 emission standards
7 adopted by the Board in 2003. It would also continue to
8 encourage the development of cleaner technology and would
9 provide manufacturers with compliance flexibility.

10 Therefore, staff recommends the Board adopt the
11 proposal.

12 ACTING CHAIRPERSON ROBERTS: Would the Ombudsman
13 please describe the public participation that occurred
14 while this item was being developed and share any concerns
15 or comments?

16 OMBUDSMAN QUETIN: Thank you, Mr. Chairman and
17 members of the Board.

18 This proposed regulation has been developed with
19 input from small off-road engine and equipment
20 manufacturers as well as the Engine Manufacturers
21 Association, Manufacturers of Emission Controls
22 Association, and the Outdoor Power Equipment Institute.

23 Staff began their efforts to develop this rule in
24 the summer of 2007. Two workshops were held in El Monte
25 on November 14th, 2003, and April 21st, 2008, with 40

1 people in attendance at each meeting.

2 Also between October 2007 and August of 2008,
3 staff held numerous meetings with over 15 stakeholder
4 groups. The staff report was released for public comment
5 on October 3rd, 2008, noticed via the ARB website, and
6 sent to the over 6,600 people on several list serves.

7 Thank you.

8 There are some outstanding issues, but they will
9 be discussed in a moment.

10 ACTING CHAIRPERSON ROBERTS: Thank you.

11 Are this any questions any Board members have at
12 this point?

13 We're going to move on to the public testimony.
14 I have a list of five witnesses. And as we did with the
15 earlier item, I'm going to call the names and I'll ask you
16 to -- we'll be doing two minutes per speaker.

17 And the first person I have is Henry Hogo
18 followed by James McNew.

19 MR. HOGO: Good morning, Chairman Roberts and
20 members of the Board. I'm Henry Hogo, Assistant Deputy
21 Executive Officer of our Mobile Source Division in the
22 South Coast Air Quality Management District.

23 I'm here to express to AQMD staff support of the
24 proposed amendments today and particularly with the
25 elimination of production credit.

1 We also support the zero emission equipment
2 credit approach. And we believe that to specify this
3 credit we need to make sure that the conditions of the
4 equipment meet the same as the gasoline powered equipment.

5 We do recognize there is a challenge in this
6 approach, but we also believe that perhaps introduction of
7 a partial zero emission equipment credit may help close
8 that gap if there's a need to bring that zero emission
9 technology forward. And that may provide some ability to
10 bring about cleaner pieces of equipment.

11 With that, I would just urge the Board to adopt
12 the proposed regulation today. Thank you.

13 ACTING CHAIRPERSON ROBERTS: Thank you.

14 Mr. McNew followed by Roger Gault.

15 MR. MC NEW: Good morning and thank you.

16 I want to thank the staff for working so
17 diligently with the industry on this. There are many
18 areas within this proposal that we do support
19 wholeheartedly. But I'm going to concentrate on a couple
20 of issues that we particularly have concern with.

21 One is within 1998 we did adopt certification
22 emission credits understanding that it was necessary to
23 create both the flexibilities as well as the fact that
24 these did represent real and enforceable emission
25 reductions.

1 Now we realize the emission bank looks very
2 large, but that emission bank does show the success of the
3 program and the fact those are emissions that were brought
4 in early and they were beyond the scope of the standard.
5 They were actually good benefits to the state of
6 California's air quality.

7 We do support the elimination of the product line
8 testing of credits. We also understand the need to limit
9 the life span for the credits that were generated under
10 the Tier 2 regulations. What we do not agree with is the
11 limitation of the likely credits that are generated under
12 Tier 3 as this is the main incentive that causes
13 manufacturers to introduce technology is the incentive to
14 use the credits at a later time when they're necessary.

15 Should these credits have a five-year life, then
16 the incentive to the manufacturer is to delay the
17 generation of those credits to later on when they may need
18 them. And therefore the incentive is to actually draw the
19 process out and not to bring the process in. I think it
20 would behoove to Board to try to help create incentives
21 that would allow manufacturers to keep those credits
22 active under the Tier 3 program.

23 The addition to the Tier 3 program is that the
24 emissions have been regulated from pre-regulation times by
25 more than 90 percent. So therefore the delta that's left

1 for us to generate credits from are significantly reduced.
2 And so therefore for the most part we are in favor with
3 many of those proposals. But for this particular
4 aspect --

5 ACTING CHAIRPERSON ROBERTS: Thank you.

6 BOARD MEMBER BERG: Mr. Chair, are you going to
7 have staff comment at the end?

8 ACTING CHAIRPERSON ROBERTS: I'm going to have
9 them comment at the end.

10 BOARD MEMBER BERG: Thank you very much.

11 MR. GAULT: Mr. Chair, Roger Gault representing
12 the Engine Manufacturers Association.

13 I would like to echo the comments made by Mr.
14 McNew of Outdoor Power Equipment Institute. We worked
15 extensively with staff throughout this process.

16 There are two quick things I'd like to bring up.
17 One James brought up with regard to the Tier 3 credit
18 creation process. The Board consistently through not only
19 this rule and this product line but through all product
20 lines seems to have issued incentives or direction to
21 industry that you're interested in pursuing early
22 introduction and products that overachieve. And by
23 putting a credit life on products that overachieve, you're
24 creating a disincentive that is unintended.

25 The other point I wanted to make is in regard to

1 the zero emission product proposal. This was really not
2 invented very well in the workshop process. In the second
3 workshop, it was identified as a concept without any
4 detail. We did have some discussion with the staff. It's
5 not like they didn't talk to us in between the second
6 workshop and the proposal. But I think it has a long way
7 to go before it's really ready to be adopted as a rule
8 making.

9 If you're concerned about excess credits, it
10 seems like the potential of creating credits for zero
11 emission products that would allow gasoline product 40
12 percent over the standard would be going the wrong
13 direction for what you're trying to do. You need a fully
14 vetted zero emission product standard including a test
15 procedure to figure out what the equivalence is in order
16 to properly assign the emission benefits that you're going
17 to give credits for. Thank you.

18 ACTING CHAIRPERSON ROBERTS: Great. Thank you.
19 Neil Maguire. And our last speaker Dr. Rasto Brezny.

20 MR. MAGUIRE: Hi. I'm Neil Maguire with LION
21 Cells, a lithium battery manufacturer in Menlo Park,
22 California. And we would just like to voice our support
23 for the zero emission equipment program.

24 Lithium ion batteries have very high-powered
25 weight ratio. They made transformational changes in power

1 tools.

2 The one requirement I do think we should update
3 is the requirement that it runs for the duration of a gas
4 can. When we go to our lab, it takes about two seconds to
5 replace, pull one battery out and replace another one.

6 Professionals in the power tool industry have a
7 very rapid switching in and out batteries. It would be
8 cost prohibitive to require that the battery need to be so
9 big it needs to run for four hours or a duration of the
10 day.

11 In terms of recharge, these batteries recharge in
12 about 30 minutes to about 85 percent of their capacity.
13 So the typical process is you have two batteries, one
14 recharging and one ready to go.

15 We've talked to commercial landscapers. They
16 love the simplicity of electric lawn mowers, the lack of
17 maintenance they need to do. There's climate change
18 benefits. There's reduction in foreign oil. And we have
19 cleaner air.

20 So we would just like to promote this program.
21 It's also creating the market demand that companies like
22 us need. We've created 35 clean jobs in Menlow Park,
23 California. You're welcome to come and see our lab and
24 our factory. We can create more jobs if the market demand
25 was there for these products.

1 ACTING CHAIRPERSON ROBERTS: Thank you.

2 Final speaker.

3 DR. BREZNY: Thank you, Board members and staff
4 for this opportunity to speak today in support of this
5 proposal.

6 My name is Rasto Brezny. I'm the Deputy Director
7 for the Manufacturers Emissions Control Association, a
8 nonprofit association representing the leading
9 manufactures of emission control technology for motor
10 vehicles, including providing catalysts for spark ignition
11 equipment.

12 Although the original intent of the Tier 3
13 standards was to take advantage of the best available
14 control technology, such as catalysts, the ability of
15 engine manufacturers to develop cleaner engines and the
16 existence of emission credits has allowed them to meet and
17 in some cases exceed the current standards. So we
18 certainl7 support the adjustments in the credit system
19 there.

20 The catalyst technologies available today benefit
21 the entire range of small spark ignited engines to achieve
22 the current standards without emission credits.

23 The technology is based on years of experience
24 with spark-ignited engines. And in fact, for small
25 engines, these catalyst fit right inside the exhaust

1 muffler.

2 In 2005, over four to five million pieces of
3 catalyzed hand-held equipment was sold in the US. And
4 over 500,000 catalyzed lawn mowers have been sold in
5 Europe since the late '90s.

6 So our members are currently supplying catalysts
7 to European manufacturers for both hand-held and non
8 hand-held engines and devices where emission credits don't
9 exist as a compliance option.

10 So in closing, we support the proposed changes,
11 and we thank the staff for their work in bringing forth
12 this proposal. Thank you.

13 ACTING CHAIRPERSON ROBERTS: Thank you. That
14 completes the public testimony.

15 Can staff address the issues that have been
16 brought up?

17 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: The two
18 issues that we heard there was that manufacturers are fine
19 with putting some restrictions on the credit program, but
20 would like the newest engines to be able to generate
21 unlimited credit life.

22 And I think our concern here is that this credit
23 program simply got out of control. And it was an
24 unintended consequences when we proposed it to you the
25 first time.

1 And the net effect is that it's not encouraging
2 technology. It's discouraging technology. So the
3 comments of about having credits to help encourage
4 technology really hasn't come to reality here.

5 The area that we think it can really help is on
6 the second issue, which is the ZEV credits or the
7 alternative fuel. But really it's -- alternative
8 technology. But it's really zero emission electric type
9 of commercial engines that lawn and garden workers use all
10 day long. And we think that's an area where we would like
11 to see credits being generated and then used to encourage
12 this kind of technology.

13 At least if we had -- if the result was somewhat
14 not as anticipated and we ended up with regular lawn
15 mowers that are dirtier than anticipated, but we had a
16 bunch of zero-emitting lawn mowers out there, that would
17 be a good outcome. Right now all we have is no catalysts
18 at all on this equipment, and it's not what we had
19 anticipated in this rule. And we had this huge fight with
20 Senator Bond and Stratton over the two-year period. And
21 we basically won the battle and somehow lost the objective
22 here. So that's why we're trying to re-focus this towards
23 the electric.

24 And it's true that not all the details of the
25 electric credit system have been developed, but we think

1 it's not unreasonable that we try to work out the test
2 procedural issues and those in the 15-day period with all
3 the effected stakeholders. There may be missing pieces of
4 information right now, but I don't think it's complicated
5 pathway to end up getting something that the Board would
6 be comfortable with.

7 ACTING CHAIRPERSON ROBERTS: Okay.

8 BOARD MEMBER BERG: Could you also comment on the
9 speakers' comments regarding the standard for performance
10 equivalent to the gas engine?

11 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: That's
12 in the context of the zero emitting vehicle.

13 The real objective here was to take a step away
14 from residential use electric equipment for which there's
15 lots of it now and try to look at what's being used by
16 lawn and garden services that take care of your house.
17 And that's where a lot of emissions come from.

18 So the criteria we're trying to get at is we only
19 get credit for something that would actually do the job of
20 a full day worth of work. And clearly the residential
21 stuff won't do that right now.

22 So I think the certain of the speaker was that we
23 not be overly restrictive such as a piece of equipment
24 with two batteries that could be swapped out would be
25 excluded. And that's what you do with your lithium ion

1 drill. You have one in the charger and swap them out
2 rather than having to have a big battery pack that
3 wouldn't survive for a 12-hour workday.

4 BOARD MEMBER BERG: So my understanding that
5 staff would be open to that type of resolution?

6 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Yeah.
7 I think so.

8 RESEARCH DIVISION CHIEF CROES: Yeah. I think
9 the big trick is the regular battery that we look at out
10 there don't inadvertently qualify. I think how we draw
11 that line is very, very challenging. And I think
12 that's --

13 BOARD MEMBER BERG: Thank you.

14 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: And the
15 distinction is some battery things like a wood whip is
16 maybe good for an hour worth of use. What we really need
17 is something that's good for four or eight hours' worth of
18 use for a professional.

19 ACTING CHAIRPERSON ROBERTS: We have a very
20 aggressive lawn mower trade-in program. And those are
21 limiting the electric lawn mower. And it's a great piece
22 of equipment, but they're maybe 8, 10,000 square feet max
23 is what you're going to get out of a charge. So something
24 that could get us even two batteries gets you through a
25 day would be a great benefit on the commercial side.

1 BOARD MEMBER TELLES: A point of information.
2 There's a few gardening services in Fresno that use the
3 current small battery. What they have is kind of
4 innovative technology from San Joaquin Valley again. This
5 guy has solar panels on his truck. And he's charging his
6 batteries all day long. As he's mowing the lawn, his puts
7 the battery in the solar panel and he hasn't used gas lawn
8 mowers in years. There's ways to do it with the current
9 battery.

10 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: I think
11 the gentleman that mentioned the lithium ion batteries,
12 that technology got twice the energy and half the size.
13 As that comes into the marketplace, it gives you a better
14 chance of being able to better meet the objectives.

15 ACTING CHAIRPERSON ROBERTS: That's exactly what
16 we want to encourage.

17 Okay. Any further comments? If not, want to
18 close the record. Since all of the testimony, written
19 submissions, and staff comments for the item have been
20 entered into the record and the Board has not granted an
21 extension for the comment period, I'm officially closing
22 the record on this portion of the agenda item number
23 08-10-3.

24 Written or oral comments received after the
25 comment period has closed will not be accepted as part of

1 the official record on this agenda item.

2 And we should go to ex partes statement now.

3 Remind all Board members of our policy concerning ex parte
4 communications with the public. While we may communicate
5 off the record with outside persons regarding Board
6 rulemaking, we must disclose the names of our contacts and
7 the nature of the contents on the record. This
8 requirement applies specifically to communications that
9 takes place after the public agenda of the Board hearing
10 has been published.

11 And I'll start all the way to my right and ask if
12 there are any comments.

13 BOARD MEMBER BERG: No comments.

14 BOARD MEMBER BALMES: Same for me.

15 BOARD MEMBER D'ADAMO: No.

16 BOARD MEMBER HILL: No.

17 BOARD MEMBER TELLES: No.

18 BOARD MEMBER SPERLING: No.

19 ACTING CHAIRPERSON ROBERTS: Okay. All the Board
20 members are currently sitting here.

21 BOARD MEMBER HILL: I'll move resolution-08-41.

22 BOARD MEMBER BALMES: I'll second.

23 BOARD MEMBER KENNARD: Second

24 ACTING CHAIRPERSON ROBERTS: Okay. We have a
25 motion and two seconds. I'll let staff figure out who was

1 first.

2 If there are no further comments, I'll ask for a
3 voice vote. All in favor signify by saying aye.

4 (Ayes)

5 ACTING CHAIRPERSON ROBERTS: Any opposed?

6 Hearing none, we'll deem that to be unanimous and
7 moved on to the following item.

8 This item 08-10-4 amendments to the current
9 regulations for large spark-ignition engines with an
10 engine displacement less than or equal to one liter.

11 Staff is proposing amendments to California's
12 existing off-road large spark-ignition engine regulations
13 to include more stringent exhaust and evaporative emission
14 standards and requirements.

15 Mr. Goldstene, would you introduce this item,
16 please?

17 EXECUTIVE OFFICER GOLDSTENE: Thank you,
18 Supervisor Roberts.

19 Today is staff is proposing to amend California's
20 existing regulations for large spark-ignition engines with
21 an engine displacement less than or equal to one liter.

22 In today's presentation, we'll refer to these
23 engines as LSI engines less than one liter.

24 In 1998, the Board first established emission
25 standards for LSI engines less than one liter, and these

1 engines were fueled by gasoline or alternative fuel such
2 as compressed natural gas and liquefied petroleum gas.
3 They do not include diesel engines.

4 Examples of the engines affected by this
5 rulemaking include those used in portable generators,
6 large turf care equipment, industrial equipment such as
7 forklifts, scrubber, sweepers, and airport ground support
8 equipment.

9 In 2006, the Board approved more stringent
10 emission standards for LSI engines greater than one liter.
11 At that time, staff did not propose any changes to the
12 emission standards for LSI engines less than one liter.
13 However, in recent years, the population of LSI engines
14 less than one liter, the number of engine families, and
15 the maximum power ratings for these engines has grown
16 significantly, making emissions from the smaller LSI
17 engines a greater concern.

18 To address this concern, staff is proposing to
19 establish a new sub-category LSI engines less than or
20 equal to 825 cubic centimeters and more stringent exhaust
21 emissions standards for LSI engines between 825 and one
22 liter. The standards would begin in 2011 and become more
23 stringent in 2015. Additionally, for the first time,
24 staff is proposing to require 2011 and later model year
25 equipment with these engines to meet the same evaporative

1 horsepower. LSI engines are fueled by gasoline or an
2 alternative fuel such as liquefied petroleum gas or
3 compressed natural gas.

4 LSI engines less than one liter are typically
5 found in equipment such as portable generators, large turf
6 care equipment like zero turn radius riding mowers,
7 industrial equipment such as material handling equipment,
8 scrubbers, sweepers, and various airport ground support
9 equipment.

10 --o0o--

11 MR. ROLAND: The Board first approved regulations
12 for these engines in 1998, requiring these engines to
13 comply with the adopted emission standards by 2002.

14 In 2006, the Board approved a more stringent
15 emission standards for LSI engines larger than one liter.
16 At that time, staff did not propose any revisions to the
17 emission standards for LSI engines less than one liter, so
18 they remained at the levels set in 1998.

19 --o0o--

20 MR. ROLAND: The current standards for LSI
21 engines less than one liter are significantly less
22 stringent than those for LSI engines larger than one
23 liter. And in fact they are even less stringent than the
24 Tier 3 emission standards for small off-road engines
25 greater than 225 cubic centimeters.

1 --o0o--

2 MR. ROLAND: In addition, both the population of
3 these engines and their associated emissions have grown
4 significantly and are expected to continue growing,
5 specifically if the current relatively less stringent
6 emission standards for these engines remain unchanged.

7 --o0o--

8 MR. ROLAND: A review of the certification data
9 shows just how the difference in stringency has affected
10 the market.

11 The number of engine families certified just
12 below one liter has more than doubled since 2003, as shown
13 in the circled yellow and blue bars.

14 Currently, there are 21 engine families certified
15 with engine displacements between 950 cubic centimeters
16 and one liter.

17 Additionally, compared to 2003, there are no
18 longer any engine families certified between one liter and
19 1.6 liters. This shows a migration from the more
20 stringent, greater than one liter category to the less
21 stringent less than or equal to one liter category. The
22 end result is reduced emissions benefits from these
23 engines.

24 --o0o--

25 MR. ROLAND: Thus, staff's proposal would set

1 centimeters tend to be used in much less expensive
2 equipment. These engines represent approximately 10
3 percent of the engines in the category and are mostly
4 designed for turf care equipment. Their performance and
5 operation characteristics are comparable to small off-road
6 engines. Therefore, staff proposes that these engines
7 meet emission standards equivalent to Tier 3 emission
8 standards for small off-road engines.

9 --o0o--

10 MR. ROLAND: Are there technical road blocks
11 related to the proposed less than 825 cubic centimeters
12 standards? No.

13 To meet the proposed standard, these engines will
14 likely even require engine modification and air fuel ratio
15 changes, and thus catalytic converters would not be
16 necessary to meet the standards.

17 --o0o--

18 MR. ROLAND: Are there any technical road blocks
19 related to the proposed 2011 standards for LSI engines
20 between 825 cubic centimeters and one liter? No.

21 These engines will also likely only require
22 engine modifications and air fuel ratio changes.

23 Although some manufacturers may consider the use
24 of catalysts to meet the emissions standards, it is likely
25 that most will pursue other less expensive means,

1 especially since four non-catalyst equipped 2008 engine
2 family already meet the proposed 2011 emissions standards.

3 --o0o--

4 MR. ROLAND: What about the proposed 2015
5 emission standards? While there may be technical concerns
6 raised by industry, staff believes that again there are no
7 technical road blocks related to these proposed emission
8 standards.

9 Compliance with the proposed 2015 emission
10 standards will likely be based on water cooled engines
11 with closed loop electric fuel injection systems and
12 three-way catalysts.

13 Although these technologies are not common in
14 this segment of the market, they are well established,
15 prove emission control technologies. Three currently
16 certified engine families meet the proposed emission
17 standards now.

18 --o0o--

19 MR. ROLAND: Although industry may contend that
20 there are technical issues, staff believes that the real
21 issue primarily comes down to cost, particularly for the
22 proposed 2015 emission standard.

23 Based on figures submitted by industry, the staff
24 estimates an average increase of \$1,940 per unit to meet
25 the more stringent standards. When compared to the

1 average equipment cost of \$14,000, this would be a 14
2 percent increase.

3 --o0o--

4 MR. ROLAND: On a per engine basis, the cost
5 effectiveness of staff's proposal is favorable. The upper
6 cost effectiveness of \$6.40 per pound of reactive organic
7 gases plus oxides of nitrogen that would be reduced
8 compares well with other emission control regulations
9 adopted by this Board which range from less than one
10 dollar to \$11 per pound.

11 --o0o--

12 MR. ROLAND: Overall, staff's proposal would
13 result in a reduction of approximately 8.4 tons per day of
14 reactive organic gases plus oxides of nitrogen emissions
15 statewide in 2020.

16 In 2030, the proposal would reduce approximately
17 15.4 tons per day of reactive organic gases plus oxides of
18 nitrogen. There is also a possible carbon dioxide benefit
19 associated with the proposal that has not yet been
20 quantified.

21 --o0o--

22 MR. ROLAND: In conclusion, staff's proposal
23 would provide significant emission reductions. The
24 proposed emission standards are attainable with existing
25 emissions control technologies and are cost effective.

1 Therefore, staff recommends that the Board adopt
2 its proposal.

3 This concludes staff's presentation. Staff is
4 ready to answer any questions the Board might have.

5 ACTING CHAIRPERSON ROBERTS: Okay. Let me first
6 ask the Ombudsman to describe the public participation
7 process.

8 Thank you.

9 Before we go to staff questions and comments, I'm
10 going to ask the Ombudsman to please describe the public
11 participation process.

12 OMBUDSMAN QUETIN: Thank you.

13 Members of the Board, this proposed regulation
14 has been developed with input from a large spark-ignition
15 engine and equipment manufacturers as well as several
16 industrial associations.

17 They began their efforts to develop this rule in
18 the summer of 2007. Two workshops were held in El Monte
19 on November 14th, 2007, and April 21st, 2008, with 40
20 people in attendance for each.

21 Staff also sent an extensive survey to LSI engine
22 and equipment manufacturers.

23 Between November 2007 and August of 2008, staff
24 held numerous meetings with stakeholder groups. The staff
25 report was released for public comment on October 3rd,

1 2008, noticed via the ARB website and sent to over 6,600
2 people on several list serves.

3 And, yes, there are outstanding issues, but I'll
4 leave it to the --

5 ACTING CHAIRPERSON ROBERTS: It will be developed
6 during the testimony.

7 OMBUDSMAN QUETIN: Yes.

8 ACTING CHAIRPERSON ROBERTS: Are there any
9 questions any of the Board members have before we start
10 the public testimony had?

11 I'm going to call the first of the witnesses.
12 This list looks a lot like the last list. Henry Hogo is
13 the first speaker. After two minutes a trap door will
14 open right under the microphone, and you'll be gone.

15 MR. HOGO: Henry Hogo with the South Coast Air
16 Quality Management District.

17 The AQMD staff is in support of the proposed
18 amendments. And after speaking with staff, we've found
19 that the proposed amendments will actually lead to some
20 additional emission reductions that we do not see in the
21 SIP. So this is a very good set of amendments.

22 We do have some concerns relative to setting the
23 sub-category of 825 cubic centimeter, the standards for
24 that sub-category to be different from the above 825 cubic
25 centimeter.

1 Our concern is that, as you've seen in the past,
2 some migration from the higher displacement level to the
3 lower one. And we're concerned that equipment engine
4 manufacturers will start making equipment that will be
5 just below 825 to not meet the more stringent standard
6 that's established between 825 and one liter.

7 So we will recommend that you strengthen the
8 proposed amendments today and set the emission standards
9 for all categories under one liter to the more stringent
10 6.5 standards and the .8 standard in 2015. Thank you.

11 ACTING CHAIRPERSON ROBERTS: Thank you.

12 Next speaker is Lawrence Keller followed by Roger
13 Gault.

14 MR. KELLER: Good morning, members of the Board
15 and staff. My name is Larry Keller of Polaris Industries.

16 Polaris is a manufacturer of motorcycles, snow
17 mobiles, all-terrain vehicles, and a class of recreational
18 off-highway vehicles known as side by sides.

19 Polaris is a member of the recreational
20 Off-Highway Vehicle Association, ROVA. We support the
21 intent of the brief written comments that were submitted
22 by ROVA.

23 Polaris has worked closely with the ARB staff
24 during the rule making. We appreciate the consideration
25 that the staff has made regarding certain recreational

1 off-highway vehicles that would meet the off-road sport
2 vehicle classification and off-highway vehicle regulation
3 except for the 600 pounds payload limit.

4 Polaris supports a number of the staff's
5 recommendation as noted in our written comments. We will
6 appreciate the Board's consideration of our comments
7 including our hopeful suggestions for near-term vehicle
8 classification alignment and our pragmatic request for a
9 model 2012 start date for the subject vehicle category if
10 it must be subject to the proposed LSI emission limits.

11 Thank you for the opportunity to offer these
12 comments.

13 ACTING CHAIRPERSON ROBERTS: Thank you.

14 The next speaker is Roger Gault, going to be
15 followed by James McNew.

16 MR. GAULT: Good morning again. Roger Gault for
17 the Engine Manufacturers' Association.

18 Again, we worked with the staff extensively
19 during the development of this rule. And there's a lot of
20 alignment between what the staff has proposed and what we
21 would agree with. There's two points I think we need to
22 make.

23 One was in regard to the 825 cc cut point and the
24 concern of engines straddling that line and ending up with
25 higher numeral limit. The 19 kilowatt cut point between

1 small LSI and LSI is one that's easily manipulated if you
2 will. Whereas, the displacement cut point is not. We
3 believe the engines that are currently classified as LSI
4 but less than 825 cc are more appropriately classified as
5 small LSI. They just have to be rated at power greater
6 than 19 kilowatts. They fall over that line. It's a
7 minor point, but does emphasize the fact we're talking
8 about splitting hairs here.

9 The other point is in regard to the alt year
10 exhaust standard for the 825 cc to one liter engines and
11 the 0.8 gram per kilowatt hour level. We agree with the
12 staff's assessment of what technology will take to get
13 there. But we do not believe that those engines will
14 actually be developed and placed in the marketplace.

15 The unit volume for California for that
16 particular segment is extremely small. We're talking
17 about even with the inflated numbers that we're hearing
18 from staff, which we don't necessarily agree with, we're
19 convinced that manufacturers will not invest in an
20 entirely new and unique product line, liquid cool
21 multi-cylinder closed loop with aftertreatment, for this
22 narrow market in California. And the consumers will
23 either be using their old equipment by keeping it running
24 longer or re-building engines, et cetera, or replacing
25 with diesel powered product.

1 Diesel powered product meets NOx standard in the
2 out years of roughly five grams per kilowatt hours which
3 EMA proposed for this category. I think the actual number
4 is 4.7. Staff has indicated that they think the cost of
5 that diesel equipment will be significantly higher because
6 of the upcoming Tier 4 diesel standards which will drive
7 PM filter --

8 ACTING CHAIRPERSON ROBERTS: Roger, I'm going to
9 wrap you up here before I push this button.

10 MR. GAULT: Thank you.

11 ACTING CHAIRPERSON ROBERTS: You and the
12 microphone will disappear. Thank you.

13 James McNew followed by Dr. Rasto Brezny.

14 MR. MC NEW: Good morning again. And again as
15 Roger had said, which I support his comments, there has
16 been significant work with staff on this.

17 The one area we are concerned with is in 2014 or
18 2015 when the standard would go down to .08 grams per
19 kilowatt hour. At that particular time, as Roger had
20 noted, transition will be more towards the diesel or those
21 products will simply disappear from the market.

22 The cost impact of this is not just on the
23 manufacturers. The manufacturer's choice will be made
24 strictly upon a business decision as to whether they can
25 recover the money or the investment in changing those

1 products over to that level.

2 The big impact is upon businesses within
3 California. Those that rely upon the larger pieces of
4 equipment to do the work they're intended to do. And I do
5 not know that that impact has been analyzed within this
6 rulemaking, and it should be considered because most
7 likely they are the ones that are going to carry the brunt
8 of this decision. Thank you.

9 ACTING CHAIRPERSON ROBERTS: Thank you.

10 Last speaker.

11 DR. BREZNY: Once again, good morning. Rasto
12 Brezny with the Manufacturers Emission Controls
13 Association.

14 MECA believes that the proposed changes to the
15 emission limits for this category of engines as outlined
16 in the staff report are reasonable and achievable and the
17 technologies are available today.

18 As discussed in the staff report, there is a
19 shift in the marketplace for these 25 to 50 horsepower
20 engines to be down sized to avoid meeting the tighter
21 emission limits for the larger engines.

22 And currently all LSI engines less than one liter
23 are meeting the current standards and in fact several
24 manufacturers have certified engines to emission limits of
25 0.5 grams per kilowatt hour.

1 The catalyst technologies are available today
2 which can be combined with advanced closed loop control
3 engines in order to meet the long-term emission limits as
4 outlined in the proposal.

5 We also support the tighter evaporative emission
6 limits, because again these passive evaporative controls
7 are readily available and are used on a diverse range of
8 spark-ignited engines.

9 And finally our members are committed to working
10 with engine manufacturers and other stakeholders in order
11 to make sure the technologies are available.

12 And I thank you for your time and thank the staff
13 for their hard work.

14 ACTING CHAIRPERSON ROBERTS: Thank you.

15 That concludes the public testimony.

16 Mr. Goldstene, are there any comments? Does
17 staff want to respond?

18 EXECUTIVE OFFICER GOLDSTENE: No comments.

19 ACTING CHAIRPERSON ROBERTS: Okay.

20 BOARD MEMBER BERG: I'd be interested in staff
21 responding to the question about the year 2015.

22 And I'm confused. Is there a regulation that is
23 going to affect that would cause more of these engines to
24 be manufactured for other than California?

25 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: No.

1 The way we've proposed the regulation is a slight
2 tightening of the standard in 2011 and then a further
3 tightening in 2015.

4 And the EPA standards that were adopted are more
5 like the 20 -- closer to the 2011 standard, but they do
6 not take the next step down to a real well controlled
7 engine in 2015.

8 So the argument about model and availability was
9 that manufacturers wouldn't provide some of these engines
10 to California, because they do not have a requirement to
11 provide clean engines to EPA and the other states.

12 We don't think that's going to happen to any
13 great degree. I think a lot of the issue has been that if
14 you look at lawn and turf care, there are engines and
15 pieces of turf care equipment out there that sell four or
16 ten or something in the state per year by a given
17 manufacturer. And bottom line to that is that people
18 won't bother to make those comply. It will be too
19 extensive.

20 But there are other competing pieces of equipment
21 that look similar and do the same job that have higher
22 volumes that can be used. I don't think there's any
23 specialty equipment here that would be somehow become
24 unavailable that wouldn't allow people to do a task
25 they're doing now. So we just most likely be a

1 consolidation of the number of models that are available.

2 If you look at turn control equipment with the
3 big blowers out in front in parks. From one manufacturer,
4 I think there's like seven or eight or nine different
5 models. They're all the same. They're spread out for
6 slightly different sizes difference and people will just
7 have somewhat narrower choice at that point in time.

8 We do think that for the higher volume stuff,
9 manufacturers will make the engine changes, because the
10 water cooled are more efficient and durable and have other
11 advantages to them and are what our emissions standards
12 would require.

13 HEALTH AND EXPOSURE ASSESSMENT BRANCH CHIEF BODE:
14 Fifteen out of 24 right now of these models have water
15 cooling engines in them. And the water cool engines is
16 the key to going to this cleaner technology.

17 So basically the market in our view already has
18 enough of the core technology to be able to cover what it
19 needs to cover. They'll will have to spend money as the
20 staff indicated to put more emission controls on it. But
21 the things that would require them to model redo the frame
22 of the vehicle, for example, to accompany a new engine,
23 it's already been done to 15 out of 24.

24 ACTING CHAIRPERSON ROBERTS: You had already seen
25 a shift to the less than one liter size, but you're not

1 expecting the next shift to occur to move into the less
2 than 825 cc's?

3 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: I think
4 we don't think so. Because now you're sort of moving away
5 from a more car quality type engine into something that is
6 more like a lawn and garden engine. And so it could
7 happen, but we think there's probably not enough power out
8 of that lower displacement available to serve the needs of
9 the equipment. And therefore they'll stay above the 825.

10 ACTING CHAIRPERSON ROBERTS: Okay. Is there
11 any -- first let me see if there are any more questions
12 before we get to the ritual.

13 Okay. I need to close the record, since all of
14 the testimony, written submissions, and staff comments for
15 this item have been entered into the record and the Board
16 has not granted an extension of the comment period. And
17 I'm officially closing the record on this portion of
18 Agenda Item Number 0 8-10-4.

19 Written or oral received after the comment period
20 has closed will not be accepted as part of the official
21 record on this agenda item.

22 Ex parte declarations here. I'll start with
23 Mayor Loveridge.

24 BOARD MEMBER LOVERIDGE: Negative.

25 ACTING CHAIRPERSON ROBERTS: Negative. Negative.

1 None. None.

2 John, you were shaking your head yes and saying
3 no.

4 There are no ex parte disclosures.

5 You'll review the resolution before you.

6 BOARD MEMBER HILL: I'll move Resolution 08-10-4.

7 BOARD MEMBER BALMES: Second.

8 ACTING CHAIRPERSON ROBERTS: We have a motion and
9 a clear second this time.

10 All of those who are in favor signify by saying
11 aye.

12 (Ayes)

13 ACTING CHAIRPERSON ROBERTS: And any opposed?

14 Hearing none, we'll deem that to be unanimously
15 approved by all the members here. And that item is
16 committed.

17 And the only thing I have left is we have public
18 comment at the close of the meeting. I have list with
19 four speakers who have asked to address us.

20 The first of those is Mr. John Dunlap who also
21 has two minutes. If he goes over, he's in real trouble.

22 MR. DUNLAP: I got that loud and clear. Thank
23 you, Mr. Chairman. It's good to be with you today.

24 I'm representing the American Home Furnishing
25 Alliance. And I'm here to very briefly discuss some

1 critical issues surrounding the implementation of the ATCM
2 for composite wood products that your Board adopted last
3 year in 2007.

4 The first implementation date is but 40 days away
5 and there are some significant hurdles that remain for the
6 program to be implemented effectively. I will join along
7 with the chorus of others to say how much we appreciate
8 the efforts of the staff. Staff has been terrific to work
9 with. However, they take very seriously the deadlines and
10 the arguments made in their rulemaking package. And
11 they're such more optimistic than the industry is about
12 the ability to be effectively implemented.

13 Having said that, there is a significant
14 bottleneck with third-party certifiers. We don't have
15 enough. In fact, there's only one that's been identified
16 coming from China. There's one in Hong Kong. There
17 needs to be many more.

18 Their volume in composite wood product delays.
19 The economics of certification is much greater than was
20 anticipated and reported to your Board. Therefore, we
21 believe that pragmatic workable solution would be to have
22 your Board ask some questions of your staff team, have
23 them give you a briefing how it's going. If you agree
24 like we think you will that more time is needed, there may
25 be a bridge and time that would be allowed. Perhaps a bit

1 of a delay. I don't want to cause anybody to get too
2 worried about delays. We believe a delay could work in
3 favor of effective implementation. It's not a jail break
4 or something that's sinister. But it would give more time
5 in order for this important rule to be effectively
6 administered.

7 So what we're going to do, Mr. Chairman, is
8 continue to have a dialogue with the staff and perhaps get
9 on a few of your calendars to brief you.

10 We are working with the California Retailers'
11 Association is very concerned about the exposure they
12 would have when the rule begins being implemented this
13 year.

14 So the take-away message is we're going to be
15 talking to you. We want to see if we can get a bridge or
16 little bit more time. We think the staff can put it to
17 good use.

18 ACTING CHAIRPERSON ROBERTS: I think you're the
19 one that put the lights on that podium.

20 MR. DUNLAP: Yeah. I see that. So with that, I
21 thank you for your time today and your attention. And
22 congratulations on your greenhouse gas efforts. This was
23 terrific to watch.

24 ACTING CHAIRPERSON ROBERTS: Thank you. Dee Dee.

25 BOARD MEMBER D'ADAMO: I would like staff to

1 follow up on this. I do remember when the item was before
2 us. There were concerns raised. We were optimistic as a
3 Board and not taking a position one way or the other on
4 whether or not a delay is needed. But just if staff could
5 look into it further on the third-party certification.

6 ACTING CHAIRPERSON ROBERTS: I think it's
7 referred to staff, and we'll assume they're going to look
8 into it. It's not on our agenda, so we're not going to
9 discuss it. Just refer this to staff.

10 MR. DUNLAP: And we'll come to you and try to get
11 on a few of your calendars and give you a briefing and
12 more detail.

13 ACTING CHAIRPERSON ROBERTS: Thank you. Pamela
14 Williams, representing California Retailers' Association.
15 Pamela Williams. Going once, twice.

16 Pedro Carillo and Max Ordenez will be our last
17 speaker.

18 MR. CARILLO: Good morning and thank you very
19 much. Thank you to your staff who was really good about
20 making sure that we got to the podium.

21 We were part of the bus that rolled through here
22 yesterday. I had never seen anything like it before. And
23 been a long time since I've seen something like that.

24 I wanted to -- my colleague and I -- Max and I
25 stayed over the night yesterday because we felt, one, it

1 was important. We are here already. You know, we already
2 spent the money to get here. Might as well stay and say
3 our piece.

4 We wanted to address all of you and bring your
5 attention to a few items that we think have been
6 overlooked.

7 What we would witnessed yesterday was basically
8 two polarized sides that didn't want to talk to each
9 other. When we walked up through the halls, people are
10 like who are you with. Want to give me a pin one way or
11 the other.

12 The folks that I saw yesterday, it was about ten
13 people that came up on their own dime with some really
14 serious concerns. Were actually trying to get their hands
15 around some fiscal impact information that they were
16 looking for to take back home. Who were those people?
17 People like myself who work with transit related
18 non-profits in and around urban cities like Los Angeles.
19 People like myself who work with municipal agencies and
20 are trying to deal with kind of fiscal impact -- true
21 fiscal impact that the State will have on their budgets
22 and kind of trying to get our hands around what AB 32 is
23 going to mean with real tangibles.

24 What does it mean to the prices of a bus fleet
25 for the school the transports 50 to 100 folks every month?

1 What does it mean to the dollar ride and the
2 Meals on Wheels program that depends on their donations to
3 get those programs going?

4 What does it mean to the small business folks
5 like myself who may or -- are afraid. Just afraid of the
6 unknown.

7 So we want to bring your attention to those
8 concerns. We want to speak to you in specifics --

9 ACTING CHAIRPERSON ROBERTS: Thank you, Pedro.

10 MR. CARILLO: Thank you very much for your time.

11 ACTING CHAIRPERSON ROBERTS: Max. And I think
12 they're going to want you to come to this other microphone
13 if you would.

14 MR. ORDENEZ: Good morning, Board members. My
15 name is Max Ordenez, small business person in Los Angeles.
16 I had to leave a little bit early about 3:30 yesterday.
17 So I wasn't able to speak.

18 I'm the treasurer with the California Hispanic
19 Chamber of Commerce, involved with a lot of smaller local
20 chambers in the Los Angeles area. And we just had some
21 concerns in regards to the perspective of small
22 businesses. And reading the Wall Street Journal this
23 morning, they said a lot of the loan activity is starting
24 to occur for small business.

25 I just want to make it very clear when the Wall

1 Street Journal or the LA Times say small business, they're
2 referring to private companies some 50 million or above.
3 So the organizations we're involved with and the
4 colleagues and members are very small. I'm talking
5 they've been around five years, eight years, some even
6 ten.

7 Additionally, I think the average employer is
8 three or four people. Usually it's mom, dad, maybe uncle
9 Joe or something like that.

10 In perspective to AB 32 and the Scoping Plan, if
11 the goal is really to have a net sum of zero losses of
12 jobs or small businesses and create a new industry.

13 And I think there's a disconnect in the fact of
14 what is going to be that bridge for a lot of these small
15 businesses being the access to capital. Although for a
16 lot of minority businesses there's been some great gains
17 in the small business loan programs, whether it's SBA or
18 even through private loans, the majority of those loans
19 actually come from the mortgages, from the line of credits
20 that people start their businesses with. And right now
21 that's not an option right now.

22 So under this critical environment that option is
23 not there. I think again referring to the article in the
24 Wall Street Journal -- I kind of laugh bit, because a lot
25 of the small businesses are finally getting the loans they

1 deserve. But they're not talking about small merchants or
2 the small consulting firm that two people had started in
3 the back of their garage or what have you.

4 ACTING CHAIRPERSON ROBERTS: Max, I'm going to
5 ask you to wrap it up right now.

6 MR. ORDENEZ: Just really consider that aspect of
7 that and how are we going to bridge and have really a net
8 loss of -- net gain of jobs and businesses. And that
9 bridge is the access to capital. Thank you.

10 ACTING CHAIRPERSON ROBERTS: Okay. That
11 completes all the public testimony, and I want to give
12 Supervisor --

13 MS. WILLIAMS: I believe you called me and I
14 missed you. I was two blocks away. May I still testify?

15 ACTING CHAIRPERSON ROBERTS: You're causing me to
16 reconsider all of my rules that are sacred.

17 MS. WILLIAMS: Didn't you take it out of agenda?

18 Pamela Williams with the California Retailers'
19 Association.

20 We'd like to just echo the comments that were
21 made by the American Home Furnishings Alliance earlier
22 during the public comment period about requesting a delay
23 of the composite wood regulations. We have letter that
24 we'll be submitting to all of you that lays out the
25 reasons. Basically, the issue is one of lack of

1 certifiers particularly in Asia so that we have a serious
2 supply problem.

3 So we are requesting a delay. We're not
4 requesting modifications to the regs, rescinding of the
5 regs, no major changes. Just a delay in implementation.

6 We're also willing to go to a stronger standard
7 voluntarily in the mean time, the European E1 standard,
8 which will protect the public further than they're being
9 protected now. But that product is available now and
10 doesn't impact our supply issues.

11 So thank you very much, Mr. Chairman, for waiving
12 your rules?

13 ACTING CHAIRPERSON ROBERTS: Thank you. Okay.

14 With that, Supervisor Hill has a comment he would
15 like to make.

16 BOARD MEMBER HILL: Thank you, Mr. Chairman.

17 And since this is my last meeting, I wanted to
18 take a moment to thank the Board for the opportunity to
19 work with you. I've been honored, truly honored, by your
20 dedication, your commitment, your intelligence, your
21 diligence, and your professionalism. I can't tell you
22 enough how moving to the Assembly is truly a demotion I
23 think in every regard.

24 It's been a wonderful opportunity for me. And
25 the staff, it's beyond none. Every time there's a

1 briefing, every time there's a meeting, no matter what the
2 discussion, the professionalism and the knowledge base and
3 the science base of this staff led by James Goldstene is
4 extraordinary. And thank you for that.

5 Thank you for what you bring to the state of
6 California. And truly through the implementation of AB 32
7 what you're bringing to the world, because that's really
8 our future.

9 And the fear that I have is that the rest of the
10 nation and the world has not grasped the need and the
11 commitment that we've made in California through all of
12 you. So thank you very much for this opportunity. I'll
13 never forget it.

14 (Applause)

15 ACTING CHAIRPERSON ROBERTS: It's probably not
16 been nicer than seeing graduates of this course in air
17 quality go on. You'll be there in good company with Mark
18 and others who served well and really will be the voice
19 and probably the resident knowledge in most of the real
20 understanding of these issues. So we will wish you every
21 success, and we'll be there to visit you of this and
22 transit issues and other things.

23 Mayor Loveridge.

24 BOARD MEMBER LOVERIDGE: Well, I thought Mark
25 DeSaulnier set an enormously high standard as a Board

1 participate and Jerry Hill has equaled that standard.

2 We do look forward for additional funding for
3 public transit. And godspeed on the \$11 billion heading
4 for 22 billion in terms of the state budget.

5 ACTING CHAIRPERSON ROBERTS: Okay. With that, we
6 will declare this meeting adjourned at 11:25.

7 (Thereupon the California Air Resources Board
8 adjourned at 11:25 p.m.)

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1 CERTIFICATE OF REPORTER

2 I, TIFFANY C. KRAFT, a Certified Shorthand
3 Reporter of the State of California, and Registered
4 Professional Reporter, do hereby certify:

5 That I am a disinterested person herein; that the
6 foregoing hearing was reported in shorthand by me,
7 Tiffany C. Kraft, a Certified Shorthand Reporter of the
8 State of California, and thereafter transcribed into
9 typewriting.

10 I further certify that I am not of counsel or
11 attorney for any of the parties to said hearing nor in any
12 way interested in the outcome of said hearing.

13 IN WITNESS WHEREOF, I have hereunto set my hand
14 this 25th day of November, 2008.

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TIFFANY C. KRAFT, CSR, RPR

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