

Section 1.

Section 38562 of the Health and Safety Code is amended to read:

38562. (a) On or before January 1, 2011, the state board shall adopt greenhouse gas emission limits and emission reduction measures by regulation to achieve the maximum technologically feasible and cost-effective reductions in greenhouse gas emissions in furtherance of achieving the statewide greenhouse gas emissions limit, to become operative beginning on January 1, 2012.

(b) In adopting regulations pursuant to this section and Part 5 (commencing with Section 38570), to the extent feasible and in furtherance of achieving the statewide greenhouse gas emissions limit, the state board shall do all of the following:

(1) Design the regulations, including distribution of emissions allowances where appropriate, in a manner that is equitable, seeks to minimize costs and maximize the total benefits to California, and encourages early action to reduce greenhouse gas emissions.

(2) Ensure that activities undertaken to comply with the regulations do not disproportionately impact low-income communities.

(3) Ensure that entities that have voluntarily reduced their greenhouse gas emissions prior to the implementation of this section receive appropriate credit for early voluntary reductions.

(4) Ensure that activities undertaken pursuant to the regulations complement, and do not interfere with, efforts to achieve and maintain federal and state ambient air quality standards and to reduce toxic air contaminant emissions.

(5) Consider cost-effectiveness of these regulations.

(6) Consider overall societal benefits, including reductions in other air pollutants, diversification of energy sources, and other benefits to the economy, environment, and public health.

(7) Minimize the administrative burden of implementing and complying with these regulations.

(8) Minimize leakage.

(9) Consider the significance of the contribution of each source or category of sources to statewide emissions of greenhouse gases.

~~(c) In furtherance of achieving the statewide greenhouse gas emissions limit, by January 1, 2011, the~~ The state board may adopt a regulation that establishes a system of market-based declining annual aggregate emission emissions limits for sources or categories of sources that emit greenhouse gas emissions, applicable from January 1, 2012, to December 31, 2020, inclusive, gases that the state board determines will achieve the maximum technologically feasible and cost-effective reductions in greenhouse gas emissions, in the aggregate, from those sources or categories of sources. In adopting a regulation applicable from January 1, 2021 to December 31, 2030 pursuant to this subdivision, the state board shall do all of the following:

(1) Establish a price ceiling at \$63 per metric tonne in 2021, increasing by 2 percent plus the consumer price index annually thereafter. The price ceiling shall ensure compliance can be achieved at a price no greater than the ceiling, and monies generated through compliance at the price ceiling shall be used by the state board to achieve emissions reductions that are real, permanent, quantifiable, verifiable, enforceable by the state board and in addition to any greenhouse gas emission reduction otherwise required by law or regulation, and any other greenhouse gas emission reduction that otherwise would occur.

(2) Establish two price containment points at levels below the price ceiling. The state board shall offer to covered entities non-tradable allowances from the allowance price containment reserve for sale at these price containment points.

(3) Establish a limit of no greater than 6 percent of a covered entity's compliance obligation that may be met by surrendering offset credits.

(4) Develop approaches to increase offset projects in California.

(5) Set industry assistance factors for allowance allocation commencing in 2021 set at the levels applicable in the 2015-2017 compliance period. Apply a declining cap adjustment factor to the industry allocation equivalent to the overall statewide emissions declining cap.

(6) In 2025, the state board shall assess changes in trade-exposure and the need to achieve greenhouse gas emission reduction targets and may revise the requirements established in sections (1), (3), and (5) above based on this assessment.

(d) Any regulation adopted by the state board pursuant to this part or Part 5 (commencing with Section 38570) shall ensure all of the following:

(1) The greenhouse gas emission reductions achieved are real, permanent, quantifiable, verifiable, and enforceable by the state board.

(2) For regulations pursuant to Part 5 (commencing with Section 38570), the reduction is in addition to any greenhouse gas emission reduction otherwise required by law or regulation, and any other greenhouse gas emission reduction that otherwise would occur.

(3) If applicable, the greenhouse gas emission reduction occurs over the same time period and is equivalent in amount to any direct emission reduction required pursuant to this division.

(e) The state board shall rely upon the best available economic and scientific information and its assessment of existing and projected technological capabilities when adopting the regulations required by this section.

(f) The state board shall consult with the Public Utilities Commission in the development of the regulations as they affect electricity and natural gas providers in order to minimize duplicative or inconsistent regulatory requirements.

(g) After January 1, 2011, the state board may revise regulations adopted pursuant to this section and adopt additional regulations to further the provisions of this division.

Sec. 2

This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the California Constitution and shall go into immediate effect. The facts constituting the necessary are: To secure a greater reduction in greenhouse gas emissions to prevent catastrophic climate change, it is necessary for this act to take effect immediately.