

Introduced by Senator Kehoe
(Coauthor: Assembly Member Pavley)

February 22, 2005

An act to add Chapter 4.7 (commencing with Section 25370) to Division 15 of the Public Resources Code, relating to energy resources.

LEGISLATIVE COUNSEL'S DIGEST

SB 757, as introduced, Kehoe. Petroleum Demand Reduction Act.

Existing law requires the State Energy Resources Conservation and Development Commission to implement and administer various energy generation and conservation programs.

This bill would enact the Petroleum Demand Reduction Act, which would declare that it is the policy of the state that state agencies should take all cost effective and technologically feasible actions needed to achieve a net zero increase in on road petroleum consumption by 2010, and a significant reduction in petroleum demand and oil consumption by 2020. The act would further declare that state agencies should take the state's petroleum reduction goals into account in adopting rules and regulations, including the findings and recommendations of the commission in the Integrated Energy Policy Report.

The bill would authorize the State Air Resources Board, in corporation with the South Coast Air Quality Management District and other state and local agencies to adopt regulations requiring fleet vehicles, including publicly owned fleet vehicles, to purchase and install alternative fuel vehicles and advanced transportation technologies where technologically feasible and cost effective, taking into account lower petroleum consumption, increased efficiency, and life cycle operating costs.

The bill would require the California Environmental Protection Agency, in consultation with the State Air Resources Board, the Department of Toxic Substances Control, and air quality management districts throughout the state, to develop and adopt model rules and regulations to ensure that all petroleum refining, storage, waste treatment and disposal sources, irrespective of their date of original construction or installation, and to require installation of best available control technology and pollution prevention measures that reflect the best practices available, so as to provide the maximum feasible and cost effective reduction in air pollution, water pollution, and toxic waste generation, while protecting the public and community health, and worker health and safety over a 10year phase-in period not to extend beyond January 1, 2016.

The bill would require the commission to expand the scope of its oil industry price and supply reporting, monitoring, and analysis to include trends in world oil demand growth, including known and proven oil reserves, and carry out oversight and investigation of market power abuses and unfair competition during periods of supply and price volatility, and would authorize the commission to impose fees to cover the costs associated with that reporting, monitoring, and analysis.

The bill would require the Secretary of the Business, Housing, and Transportation Agency, and the Secretary for Environmental Protection, not later than July 1, 2006, in consultation with the Department of Finance and the commission, to submit recommendations to the Governor and the Legislature regarding alternative revenue sources to supplement or replace taxes on gasoline and diesel fuel, which may be used to fund state investment in the state's transportation infrastructure, as provided.

The bill would require the Secretary for Environmental Protection, not later than January 1, 2007, in consultation with the commission and the State Air Resources Board, to submit recommendations to the Governor and the Legislature regarding the cost-effective and technologically feasible measures needed to achieve a net zero increase in petroleum consumption by 2010, and a significant reduction in oil consumption by 2020.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Chapter 4.7 (commencing with Section 25370) is added to Division 15 of the Public Resources Code, to read:

CHAPTER 4.7. PETROLEUM DEMAND REDUCTION ACT

25370. This section shall be known, and may be cited, as the California Petroleum Demand Reduction Act.

25371. The Legislature finds and declares all of the following:

(1) California's increasing demand for petroleum and rapidly growing consumption of gasoline and diesel fuel pose substantial risks to the state's economy and environment.

(2) Growing instability in global oil supplies and rapidly increasing demand in China, India, and throughout the world are likely to increase California's vulnerability to oil supply disruptions and sudden price increases.

(3) Aggressive pursuit of energy efficiency and conservation measures and expanded use of renewable energy sources have been shown to help stabilize energy supplies and lower costs to consumers during California's electricity crisis.

(4) California's current and future levels of oil demand and rapidly growing consumption of gasoline and diesel fuel far exceeds California's refinery capacity, which results in limited competition and abuses of market power by oil suppliers and refiners.

(5) Unless the state's rapid rate of growth in oil consumption and rising levels of consumption of imported oil and petroleum products are stabilized and gradually reduced, California is likely to continue to experience price spikes and supply disruptions, which will harm the state's economy and business climate.

(6) Cost-effective options exist today, including alternative fuels and advanced technologies, such as hybrid electric vehicles, which can lessen economic instability caused by high fuel prices and price spikes, while reducing risks to public health and environmental degradation caused by increased consumption of petroleum fuel.

(7) Reducing the rate of growth and achieving a net zero increase in petroleum consumption levels by 2010, and then achieving significant reductions in California oil consumption by

1 the year 2020 are technologically feasible and cost effective
2 public policy objectives, which will create new jobs, economic
3 development, and investment opportunities in alternative fuels
4 and advanced transportation technologies.

5 (8) Petroleum refineries are known sources of hazardous waste
6 and toxic air pollutants, as well as groundwater and soil
7 contamination, all of which are known to cause cancer,
8 developmental and reproductive problems, and respiratory
9 illness.

10 (9) Petroleum refinery workers and communities located in
11 close proximity to a petroleum refinery are particularly
12 vulnerable to the public health impacts associated with petroleum
13 refining, and the petroleum refining industry should take every
14 feasible measure to protect these exposed populations.

15 (10) The Governor, the Legislature, and state and local
16 agencies should make every effort to reduce oil demand and
17 consumption of petroleum fuels in California through aggressive
18 public education regarding the environmental and economic risks
19 caused by current and projected petroleum consumption, through
20 sustained commitment and public agency procurement of energy
21 efficiency and alternative transportation fuels, and by promoting
22 the modernization and installation of best available technologies
23 on California's oil refineries.

24 25372. It is the policy of the State of California that state
25 agencies should take every cost-effective and technologically
26 feasible action needed to achieve a net zero increase in on-road
27 petroleum consumption by 2010, and a significant reduction in
28 petroleum demand and oil consumption by 2020. In addition,
29 those state agencies should take the state's petroleum reduction
30 goals into account in adopting rules and regulations, including
31 the findings and recommendations of the commission in the most
32 recently adopted Integrated Energy Policy Report.

33 25373. The State Air Resources Board, in cooperation with
34 the South Coast Air Quality Management District and other state
35 and local agencies, may adopt regulations requiring fleet
36 vehicles, including publicly owned fleet vehicles, to purchase
37 and install alternative fuel vehicles and advanced transportation
38 technologies where technologically feasible and cost-effective,
39 taking into account lower petroleum consumption, increased
40 efficiency, and life cycle operating costs.

1 25374. The California Environmental Protection Agency, in
2 consultation with the State Air Resources Board, the Department
3 of Toxic Substances Control, and air quality management
4 districts, shall develop and adopt model rules and regulations to
5 ensure that all petroleum refining, storage, and waste treatment
6 and disposal sources, irrespective of their date of original
7 construction or installation, install best available control
8 technology and pollution prevention measures that reflect the
9 best practices available, so as to provide the maximum feasible
10 and cost effective reduction in air pollution, water pollution, and
11 toxic waste generation, while protecting the public and
12 community health, and worker health and safety over a 10year
13 phase-in period not to extend beyond January 1, 2016.

14 25375. The commission shall expand the scope of its oil
15 industry price and supply reporting, monitoring, and analysis to
16 include trends in world oil demand growth, including known and
17 proven oil reserves, and carry out oversight and investigation of
18 market power abuses and unfair competition during periods of
19 supply and price volatility, and may impose fees to recover its
20 costs.

21 SEC. 2. Not later than July 1, 2006, the Secretary of the
22 Business, Housing and Transportation Agency and the Secretary
23 for Environmental Protection, in consultation with the
24 Department of Finance and the State Energy Resources
25 Conservation and Development Commission, shall submit
26 recommendations to the Governor and the Legislature regarding
27 alternative revenue sources to supplement or replace taxes on
28 gasoline and diesel fuel, which may be used to fund state
29 investment in the state's transportation infrastructure. In
30 developing the recommendations, the secretaries shall evaluate
31 the economic feasibility of alternative financing measures, the
32 potential to support needed levels of investment in transportation
33 infrastructure, and the impact on social equity and mobility of
34 low income and disadvantaged citizens. In addition,
35 consideration of those recommendations shall be given to
36 determine the extent to which they are compatible with existing
37 state policies to reduce petroleum consumption, accelerate the
38 deployment of alternative fuels, and achieve air quality standards
39 and global warming targets.

SEC. 3. Not later than January 1, 2007, the Secretary for Environmental Protection Agency, in consultation with the State Energy Resources Conservation and Development Commission and the State Air Resources Board, shall submit recommendations to the Governor and Legislature regarding the cost-effective and technologically feasible measures needed to achieve a net zero increase in petroleum consumption by 2010, and a significant reduction in oil consumption by 2020.

SEC. 4. (a) Not later than January 1, 2007, The California Environmental Protection Agency, with the assistance and consultation of the California Air Resources Board, the California Energy Commission, and the South Coast Air Quality Management District, shall adopt an action plan to increase the diversity of the state's transportation energy supplies.

(b) Development of the action plan required pursuant to subdivision (a) shall integrate state ambient air quality standards, including, but not limited to, those for particulates, criteria pollutants, toxic air contaminants, and greenhouse gases, to ensure that no petroleum reduction strategy or alternative fuel policy impedes the state's ability to comply with federal air quality standards.

CORRECTIONS:

Heading - Line 2.