

AMENDED IN SENATE APRIL 13, 2005

**SENATE BILL**

**No. 757**

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**Introduced by Senator Kehoe**  
(Coauthor: Assembly Member Pavley)

February 22, 2005

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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 amended, 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 onroad petroleum consumption by 2010, and a significant reduction in petroleum demand and ~~on~~ *onroad petroleum* consumption by 2020. The act would further declare that state agencies should take the state's petroleum *usage* 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, operators, both public and private~~ 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 ~~10-year~~ 10-year 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 commission to refer to The Attorney General any cases in which the commission determines that there may be market abuse or unfair competition.*

The bill would require the Secretary of the Business, ~~Housing, and~~ Transportation *and Housing* 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~~ onroad petroleum consumption by 2020.

*The bill would require the California Environmental Protection Agency, not later than January 1, 2007, with the assistance and consultation of the State Air Resources Board, the commission, and the South Coast Air Quality Management District to adopt recommendations, policies, and programs, as appropriate, to increase the diversity of the state's transportation energy supplies, as specified.*

*The bill would require the secretary to take action intended to influence the United States Congress and Department of Transportation to double the combined fuel economy of cars and light trucks by 2020, including performing analyses and participating in forums that the secretary deems useful. The bill would require all state agencies to cooperate with the secretary concerning this action.*

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

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

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

3  
4 CHAPTER 4.7. PETROLEUM DEMAND REDUCTION ACT  
5

6 25370. This section shall be known, and may be cited, as the  
7 California Petroleum Demand Reduction Act.

8 25371. The Legislature finds and declares all of the  
9 following:

10 ~~(1)~~  
11 (a) California's increasing demand for petroleum and rapidly  
12 growing consumption of gasoline and diesel fuel pose substantial  
13 risks to the state's economy and environment.

14 ~~(2)~~  
15 (b) Growing instability in global oil supplies and rapidly  
16 increasing demand in China, India, and throughout the world are  
17 likely to increase California's vulnerability to oil supply  
18 disruptions and sudden price increases.

19 ~~(3)~~  
20 (c) Aggressive pursuit of energy efficiency and conservation  
21 measures and expanded use of renewable energy sources have  
22 been shown to help stabilize energy supplies and lower costs to  
23 consumers during California's electricity crisis.

1     ~~(4)~~

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

7     ~~(5)~~

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

13    ~~(6)~~

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

20    ~~(7)~~

21    ~~(g)~~ *The commission and the State Air Resources Board have*  
22 *determined that improving the fuel efficiency of new vehicles*  
23 *would dramatically reduce petroleum demand and that the*  
24 *efficiency of new cars and light trucks can be improved*  
25 *significantly with existing and emerging automotive technologies.*

26    ~~(h)~~ Reducing the rate of growth and achieving a net zero  
27 increase in *onroad* petroleum consumption levels by 2010, and  
28 then achieving significant reductions in California-~~on~~ *onroad*  
29 *petroleum* consumption by the year 2020 are technologically  
30 feasible and cost-effective public policy objectives, which will  
31 create new jobs, economic development, and investment  
32 opportunities in alternative fuels and advanced transportation  
33 technologies.

34    ~~(8)~~

35    ~~(i)~~ Petroleum refineries are known sources of hazardous waste  
36 and toxic air pollutants, as well as groundwater and soil  
37 contamination, all of which are known to cause cancer,  
38 developmental and reproductive problems, and respiratory  
39 illness.

40    ~~(9)~~

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

~~(10)~~

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

25372. It is the policy of the State of California that state agencies should take every cost-effective and technologically feasible action needed to achieve a net zero increase in onroad petroleum consumption by 2010, and a significant reduction in ~~petroleum demand and oil consumption by 2020. In addition,~~ *those on-road petroleum consumption by 2020. As used in this section, "net zero increase" means no increase compared to 2006 consumption. Those* state agencies should take the state's petroleum *usage* reduction goals into account in adopting rules and regulations, including the findings and recommendations of the commission in the most recently adopted Integrated Energy Policy Report.

25373. The State Air Resources Board, in cooperation with the South Coast Air Quality Management District and other state and local agencies, may adopt regulations requiring fleet ~~vehicles, including publicly owned fleet vehicles~~ *operators, both public and private*, 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.

25374. The California Environmental Protection Agency, in consultation with the State Air Resources Board, the Department of Toxic Substances Control, and air quality management districts, shall develop and adopt model rules and regulations to

1 ensure that all petroleum refining, storage, and waste treatment  
2 and disposal sources, irrespective of their date of original  
3 construction or installation, install best available control  
4 technology and pollution prevention measures that reflect the  
5 best practices available, so as to provide the maximum feasible  
6 and cost-effective reduction in air pollution, water pollution, and  
7 toxic waste generation, while protecting the public and  
8 community health, and worker health and safety over a ~~10-year~~  
9 *10-year* phase-in period not to extend beyond January 1, 2016.

10 25375. The commission shall expand the scope of its oil  
11 industry price and supply reporting, monitoring, and analysis to  
12 include trends in world oil demand growth, including known and  
13 proven oil reserves, ~~and carry out oversight and investigation of~~  
14 ~~market power abuses and unfair competition during periods of~~  
15 ~~supply and price volatility, and may impose fees to recover its~~  
16 ~~costs.~~ *The commission shall refer to the Attorney General any*  
17 *cases in which it determines that there may be market abuse or*  
18 *unfair competition.*

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

38 SEC. 3. Not later than January 1, 2007, the Secretary for  
39 Environmental Protection Agency, in consultation with the State  
40 Energy Resources Conservation and Development Commission

1 and the State Air Resources Board, shall submit  
2 recommendations to the Governor and Legislature regarding the  
3 cost-effective and technologically feasible measures needed to  
4 achieve a net zero increase in *onroad* petroleum consumption by  
5 2010, and a significant reduction in ~~oil~~*onroad petroleum*  
6 consumption by 2020.

7 SEC. 4. (a) Not later than January 1, 2007, The California  
8 Environmental Protection Agency, with the assistance and  
9 consultation of the ~~California State Air Resources Board~~, the  
10 California Energy Commission, and the South Coast Air Quality  
11 Management District, shall adopt ~~an action plan~~  
12 *recommendations, policies, and programs, as appropriate*, to  
13 increase the diversity of the state's transportation energy supplies  
14 *consistent with the goal of increasing the use of nonpetroleum*  
15 *fuels to 20 percent of onroad fuel consumption by 2020*.

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

23 SEC. 5. *The Secretary for Environmental Protection shall*  
24 *take action intended to influence United States Congress and the*  
25 *United States Department of Transportation to double the*  
26 *combined fuel economy of cars and light trucks by 2020. That*  
27 *action shall include, but not be limited to, performing analyses*  
28 *and participating in forums that the secretary deems useful. All*  
29 *state agencies shall cooperate with the secretary concerning this*  
30 *action.*