

AMENDED IN SENATE MAY 3, 2005
AMENDED IN SENATE APRIL 13, 2005

SENATE BILL

No. 757

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 amended, Kehoe. ~~Petroleum Demand Reduction Act.~~
Oil Conservation, Efficiency, and Alternative Fuels 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~~ *Oil Conservation, Efficiency, and Alternative Fuels 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 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

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 for air and water pollution, and toxic generation~~ over a 10-year phasein period not to extend beyond January 1, 2016. *The bill would provide that this requirement does not supersede any local or state law, regulation, or rule that is more stringent than, or requires an earlier compliance date than that required by this requirement.*

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. 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, 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 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~~ OIL
5 CONSERVATION, EFFICIENCY, AND ALTERNATIVE FUELS ACT

6
7 25370. This section shall be known, and may be cited, as the
8 ~~California Petroleum Demand Reduction Act~~. *Oil Conservation,*
9 *Efficiency, and Alternative Fuels Act.*

10 25371. The Legislature finds and declares all of the
11 following:

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

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 (c) Aggressive pursuit of energy efficiency and conservation
20 measures and expanded use of renewable energy sources have

1 been shown to help stabilize energy supplies and lower costs to
2 consumers during California's electricity crisis.

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

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

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

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

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

38 (j) Petroleum refinery workers and communities located in
39 close proximity to a petroleum refinery are particularly
40 vulnerable to the public health impacts associated with petroleum

1 refining, and the petroleum refining industry should take every
2 feasible measure to protect these exposed populations.

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

12 25372. It is the policy of the State of California that state
13 agencies should take every cost-effective and technologically
14 feasible action needed to achieve a net zero increase in onroad
15 petroleum consumption by 2010, and a significant reduction in
16 onroad petroleum consumption by 2020. As used in this section,
17 "net zero increase" means no increase compared to 2006
18 consumption. Those state agencies should take the state's
19 petroleum usage reduction goals into account in adopting rules
20 and regulations, including the findings and recommendations of
21 the commission in the most recently adopted Integrated Energy
22 Policy Report.

23 25373. The State Air Resources Board, in cooperation with
24 the South Coast Air Quality Management District and other state
25 and local agencies, may adopt regulations requiring fleet
26 operators, both public and private, to purchase and install
27 alternative fuel vehicles and advanced transportation
28 technologies where technologically feasible and cost effective,
29 taking into account lower petroleum consumption, increased
30 efficiency, and life cycle operating costs.

31 25374. (a) The California Environmental Protection Agency,
32 in consultation with the State Air Resources Board, the
33 Department of Toxic Substances Control, and air quality
34 management districts, shall develop and adopt model rules and
35 regulations to ensure that *over a specified 10-year phase-in*
36 *period not extending beyond January 1, 2016*, all petroleum
37 refining, storage, and waste treatment and disposal sources,
38 irrespective of their date of original construction or installation,
39 install best available control technology and pollution prevention
40 measures that reflect the best practices available, ~~so as to provide~~

~~1 the maximum feasible and cost-effective reduction in air
2 pollution, water pollution, and toxic waste generation, while
3 protecting the public and community health, and worker health
4 and safety over a 10-year phase in period not to extend beyond
5 January 1, 2016. for air and water pollution, and toxic waste
6 generation.~~

*(b) The requirement of subdivision (a) shall not supersede any
8 other local or state law, regulation, or rule that is more stringent
9 than, or requires an earlier compliance date than that set forth in
10 subdivision (a).*

25375. The commission shall 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. The commission shall refer to the Attorney
General any cases in which it determines that there may be
market abuse or unfair competition.

SEC. 2. Not later than July 1, 2006, the Secretary of the
Business, Transportation and Housing Agency and the Secretary
for Environmental Protection, in consultation with the
Department of Finance and the State Energy Resources
Conservation and Development Commission, shall 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. In
developing the recommendations, the secretaries shall evaluate
the economic feasibility of alternative financing measures, the
potential to support needed levels of investment in transportation
infrastructure, and the impact on social equity and mobility of
low-income and disadvantaged citizens. In addition,
consideration of those recommendations shall be given to
determine the extent to which they are compatible with existing
state policies to reduce petroleum consumption, accelerate the
deployment of alternative fuels, and achieve air quality standards
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

1 cost-effective and technologically feasible measures needed to
2 achieve a net zero increase, *as defined in Section 25372 of the*
3 *Public Resources Code*, in onroad petroleum consumption by
4 2010, and a significant reduction in onroad petroleum
5 consumption by 2020.

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

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

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