Uncertainty over air rule frustrates some truckers

By Alex Breitler
Stockton Record, Thursday, December 16, 2010

A $5.5 billion rule requiring truck companies to clean up their rigs may be delayed, but not all truckers are happy.

Some companies have already sunk big bucks into complying with the rule, passed by the California Air Resources Board in 2008.

"They keep changing the rule, and nobody knows what it's going to be next," said Al Nunes, owner of A.C. Trucking in Manteca, who has spent half a million dollars to comply, although half of that was covered by funds from an air quality and highway improvement bond approved by voters in 2006.

Companies that tried to comply early by purchasing new trucks or putting pollution filters on existing trucks may be at a competitive disadvantage, critics say, while those who dragged their feet will be rewarded with delay.

Dan Souza, a vice president with Mountain Valley Express in Manteca, supports some kind of postponement. But he realizes the hammer will come down sooner or later.

"It's almost a smokescreen," he said. "(A delay) gives a guy that false impression that, 'OK, I don't have to do anything next year. 'The reality is, you'd better do something. If you don't, the following year, when the regulation hits, you've got twice as much to do."

The rule aims to give California the cleanest, most efficient diesel fleet in the world by 2023.

But state officials said they couldn't foresee the depth of the recession when the rule was passed.

The crippling of businesses throughout the state means that roughly 1 million diesel trucks and buses have logged fewer miles, and the amount of pollution they're generating is 20 percent lower than expected.

That allows tweaking of the rule to "significantly lower the costs of the regulations while still maintaining progress toward clean air," a board staff report reads.

Despite the economy, trucks and buses remain the largest polluters in California. They are the greatest source of so-called tiny particulate matter, which results in 9,200 premature deaths in California each year.

Meeting federal air quality standards could reduce those deaths by about 2,700, the air board reports.

Antonini Enterprises in Stockton said half of its more than 150 trucks already are 2007 or newer, meaning it hasn't had to spend much so far to comply. The company was prepared to spend about $4 million next year should no delay be granted, accounting manager Jean Etcheverry said.

"We have learned to live with these rules," he said.

Calif. air board set to vote on 2 crucial issues

By Wyatt Buchanan, Chronicle Sacramento Bureau
S.F. Chronicle, Thursday, December 16, 2010

Sacramento **-** -- The California Air Resources Board is set to vote on two controversial environmental issues at its meeting today and Friday: adoption of the nation's first broad-based cap-and-trade program and the easing of diesel pollution rules.

The cap-and-trade program is the last major element of AB32, the California Global Warming Solutions Act, which puts the state on track to reduce greenhouse gas emissions to 1990 levels by 2020. The act requires that rules to meet that goal be in place by the end of this year.

The cap-and-trade regulation, more than 3,000 pages long, would take effect in 2012 and force industry to eliminate 273 million metric tons of carbon dioxide from the air by 2020, largely by requiring the state's biggest polluters to cut their emissions or pay for excessive emissions of the gas that traps heat on Earth.

It has been criticized by many business groups across the state because, they argue, businesses will face increased costs for being in California while those in other states will gain a competitive advantage.

The regulation will apply to some of the state's largest emitters of carbon dioxide: the electricity industry and large industrial plants that manufacture glass, paper, concrete and other products. In 2015, it would expand to fuel distributors, and in all covers 360 businesses that work out of 600 sites across the state.

Derek Walker, the director of the California Climate Initiative for the Environmental Defense Fund, said the regulation will have the dual effect of spurring green-technology innovation and investment in the state as well as serving as a model for combatting climate change that others can follow.

"It's the first time there's going to be a price on pollution and that, from the very beginning, is the goal of climate and energy policy," he said.

Emissions credits

Under cap and trade, each industrial sector will get free credits equal to about 90 percent of the overall average emissions for that sector. Businesses pay for excessive emissions by buying "allowances" - or credits - if they are unable to reduce their carbon dioxide levels.

Those credits would be auctioned for no less than $10 per ton, and any money generated from the electrical industry's purchase of credits must be used to benefit ratepayers, while the Legislature will decide what to do with other proceeds.

The AB32 Implementation Group, a coalition of business groups, manufacturers, oil companies and others, has argued that paying for the allowances, when such regulations do not exist nationwide, punishes California businesses. They have asked the Air Resources Board not to charge for any allowances.

The coalition also believes that giving the Legislature control over the revenue from the sale of allowances amounts to a tax that should require a two-thirds vote of the Legislature to impose.

State Sen. Fran Pavley, D-Agoura Hills, Los Angeles County, who authored AB32 when she was in the Assembly, said she had thought four years ago that the federal government would be taking a lead in combatting climate change. But the federal climate bill died earlier this year, partly because of objections over cap and trade.

Rules for diesel engines

The other major issue the Air Resources Board is scheduled to consider is whether to significantly ease air pollution rules for diesel engines, such as those used in trucks, construction machines and school buses. The rules affect both on- and off-road vehicles.

The amendments to the on-road rules stem from reductions in truck use because of the weak economy, which has lessened the amount of air pollution.

The changes for off-road equipment stemmed from a major miscalculation by air board scientists of pollution emitted from the engines. The estimate of nitrous oxide emissions was overstated by 340 percent, and that miscalculation was the subject of a report by The Chronicle in October.

To fix that, the Air Resources Board will consider delaying the requirements for all fleets of equipment for four years, removing a requirement to retrofit machines, give extra credits for engines that have had early retrofits and expand the definition of "low use" engines.

The air board estimates that doing so reduces overall costs by 72 percent over 20 years.

Still, some of those affected by the regulation said that while they appreciate the delays and changes, they still are concerned that there will be a long-term devastating effect on their businesses.

Robert McClernon, president of the California Dump Truck Owners Association, said many companies in the industry just simply cannot afford to comply.

"We're going to get a couple of extra years and we're grateful, but it's a hell of a notion that the government is going to give us a couple more years to breathe before we die," said McClernon, who owns a fleet of nine trucks in Sacramento. He said the association has offered the air board staff multiple alternatives for reducing pollution, but those have not been substituted for the regulation.

Limiting air pollution

On the other end of the spectrum, public health advocates argue that fighting cancer, asthma and other diseases by limiting air pollution should be the priority.

"The bottom line is we are urging the board to adopt the strongest possible regulation," said Bonnie Holmes-Gen, senior policy director for the American Lung Association of California. That extends to both the on-road and off-road rules, she said.

And while the off-road industry still has serious concerns about future costs, those in the on-road trucking industry are optimistic.

"There's light at the end of the tunnel now," said Matt Schrap, director of environmental affairs for the California Trucking Association. "It's not as gloom and doom as it was before."

California air board set to adopt cap-and-trade program

Officials hail the program as flexible and sensitive to economic conditions. It would begin in 2012 by capping emissions from the 600 biggest industrial facilities.

By Margot Roosevelt, staff writer
Los Angeles Times, Thursday, Dec. 16, 2010

California regulators Thursday are expected to adopt the nation's most comprehensive carbon trading regime, creating a market-based way to lower greenhouse gas emissions at a time when similar efforts have stalled in Congress.

The program is the centerpiece of the state's 2006 global warming law, which aims to slash carbon dioxide and other planet-heating pollution to 1990 levels by 2020. That would amount to a 15% cut from today's level.

The cap-and-trade system "will help drive innovation, create more green jobs and clean up our air and environment," said California Air Resources Board Chairwoman Mary D. Nichols, adding that it "provides flexibility" to industry and takes "into consideration the current economic climate."

Carbon dioxide emissions, mostly from burning fossil fuels, are trapping heat in Earth's atmosphere, spurring changes in the climate. Scientists say California has begun to experience the effects, with hotter temperatures, rising sea levels and the melting of the Sierra snowpack, which provides fresh water for cities and farms.

Under the state's cap-and-trade plan, emissions from the 600 biggest industrial facilities, including cement manufacturers, electrical plants and oil refineries, would be capped in 2012, with that limit gradually decreasing over eight years in an effort to encourage energy efficiency and renewable sources of power.

Companies would be granted "allowances" for each metric ton of greenhouse gas they emit, and they could trade unused allowances among themselves to cut costs.

California's climate regulations already include rules to increase the fuel efficiency of cars, cut the energy intensity of gasoline and require that a third of the state’s electricity come from solar, wind and other renewable sources.

After 40 public hearings in which companies complained that the proposed rules were too onerous, the air board loosened key aspects of the final draft, citing the recession-plagued economy. Critics, however, say the plan is too weak.

In its most controversial decision, the board ignored the advice of a panel of prominent economists it had convened earlier this year, which advised auctioning most of the greenhouse gas allowances from the start, rather than giving them out for free.

The state could use the proceeds from selling allowances to offer consumers incentives to invest in energy efficiency, and to combat the effects of industrial pollution in poor neighborhoods.

The air board would give free allowances during the first three years, then phase them out for most industries. But cement makers and oil companies, considered prone to moving operations out of the state, would be granted free allowances for eight years.

That grace period angered some environmentalists. "Cap-and-trade was always meant to be the industry-friendly way to reduce emissions," said Bill Magavern, the Sierra Club's California director. "But the oil industry is posting big profits and does not need assistance from the state."

Another controversial aspect of the plan allows companies to offset up to 49% of the emissions they are required to cut by investing in reductions elsewhere. Companies could buy offsets from facilities that reduce ozone-depleting chemicals, from livestock farms that capture methane from manure, from urban tree-planting programs, and from timber outfits whose operations increase carbon storage in forests.

Last week, a coalition of 47 conservation groups led by the Center for Biological Diversity and the Sierra Club called on the board to exclude forest projects that employ clear-cutting from the offset program. "We should not try to clear-cut our way out of climate change," they wrote. The plan, they added, "explicitly invites forest clear-cutting as a carbon offset project [and] incentivizes the conversion of natural forests into tree farms."

However the Nature Conservancy and several other environmental groups endorsed the forest offsets, saying that landowners would have to demonstrate to independent auditors that they are managing their forests to store more carbon, and therefore avoiding some of the greenhouse gas emissions that come from timber harvesting.

Shelly Sullivan, a spokeswoman for the climate law's Implementation Group, an industry coalition, warned against tightening the rules, adding that industry opposes any auctions of allowances, even in later years.

Although several states and Canadian provinces have said they might eventually join in California's trading system, "neither the federal government nor other states are committed to join a cap-and-trade program, so in essence California will be going it alone," she said. "If cap-and-trade costs are not also shared by other states, there is great potential for economic harm, jobs loss and lower investments in the state."

Next year, the air board will decide on rules to link its trading system to programs in New Mexico, British Columbia, Ontario and Quebec, which are part of the Western Climate Initiative, a group of 11 U.S. states and Canadian provinces. That trading group could eventually link to the Regional Greenhouse Gas Initiative, a group of 10 Northeastern and Mid-Atlantic states that have capped carbon dioxide emissions on power plants. Midwestern states are also developing a trading program.

Calif. set to adopt sweeping cap-and-trade rules

By Jason Dearen, Associated Press
Contra Costa Times & Tri-Valley Herald, Thursday, Dec. 16, 2010

SACRAMENTO, Calif.—California air quality regulators are poised to adopt the nation's most sweeping regulations to give power plants, refineries and other major polluters a financial incentive to reduce their greenhouse gas emissions.

The Air Resources Board was expected to pass this key piece of the California's 2006 climate law, called AB32, at its meetings Thursday or Friday, with the hope that other states and nations will follow the lead of the world's eighth largest economy.

"AB32 was passed primarily to fill the vacuum created by the failure of Congress to pass any kind of climate or energy legislation for many years now," said Mary Nichols, the air board's chairwoman. "The goal was to lead by example, and being a leader you have to bring others along with you."

California's cap-and-trade rules would set up the largest U.S. carbon trading market as the way to enforce the state's gradually tightening cap on emissions.

"It's a critical piece because it's the tool we're using to make sure we reward businesses that invest in efficiency and renewable technologies, and that we are pushing and creating the right incentives," Nichols said.

Grouped with strict renewable energy mandates for utilities, tighter fuel-efficiency standards for automobiles and low-carbon fuel standards, California has enacted the strictest climate-related regulations in the U.S.

Under the new rules, regulators would enforce limits on heat-trapping gas emissions beginning in 2012, ultimately from 85 percent of the state's worst polluters.

The amount of allowed emissions would be reduced over time, and the regulations would expand in 2015 to include refineries and fuel distributors like oil companies. The cap would reach its lowest level in 2020, when California wants its greenhouse gas emissions reduced to 1990 levels.

Each polluter would receive permits, called allowances, for the amount of emissions allowed under the cap. The sum of the allowances—which each represent 1 ton of carbon dioxide or the equivalent of another pollutant—would equal the cap amount.

Ninety percent of the allowances would be free in the first years of the program to give industry time to upgrade to cleaner equipment or account for increased future costs.

The regulations are meant to reward polluters that cut emissions by investing in cleaner technologies. Facilities that emit less pollution than legally allowed can sell their unneeded credits in a carbon market being set up for the purpose.

Over time, as the cap gets lower and fewer allowances are available, costs would rise.

"The idea is to incentivize clean technology over fossil fuels by putting a price on carbon," said Jon Costantino, an attorney in Sacramento, who formerly served as the climate change planning manager at the Air Resources Board.

Buying allowances from other polluters on the carbon market wouldn't be the only way companies can comply with the strict emissions standards.

Up to 8 percent of companies' emissions reductions can also be fulfilled by buying so-called carbon offsets—credits for forestry or other projects that reduce greenhouse gases.

These offset credits have been criticized by some environmental groups, which argue that they allow polluters to comply with the cap while continuing to belch harmful substances into the air. Also, under the regulations, polluters could buy offsets from lands owned by timber companies that clear-cut up to 40 acres of trees, another sticking point for some conservationists.

Industries regulated under the cap say it could put California at a competitive disadvantage with states and countries that do not require such strict—and expensive—emissions reductions.

The state's budget currently has a $28.1 billion revenue shortfall through June 2012, and industry leaders have voiced concern that the program's increased costs could further weaken the economy.

But Californians have shown widespread support for AB32. Voters last month soundly rejected a proposition backed largely by oil companies and refiners that sought to delay implementation of the law until the state's economy improves.

Catherine Reheis-Boyd, president of the Western States Petroleum Association, said California has to ensure the cap-and-trade program gets linked with other states and countries that plan to do the same thing, so that the market broadens and becomes more robust.

"California can't do it alone, we won't help fix climate change alone," Reheis-Boyd said. "If we're the only ones doing cap-and-trade, it will be a huge competitive disadvantage for California when compared to other states, and a huge competitive disadvantage globally."

Nichols said other states, the European Union, and Chinese and Canadian provinces are all in various stages of discussions with California to link their carbon markets. New Mexico's Environmental Improvement Board narrowly approved its own cap-and-trade program last month and OK'd the state's participation in a regional market.