

California State Background Brief

Policy Overview

California leads the nation in adopting ambitious climate policy. In 2006, the state passed the Global Warming Solutions Act (AB32), which aimed to reduce greenhouse gas emissions to 1990 levels by 2020 and established a “cap and trade” market-based mechanism for emissions trading. Since that time, the greenhouse gas emissions reduction target has increased to 40 percent below 1990 levels by 2030 via SB 350. The state’s initial renewable portfolio standard (RPS), which requires a certain percentage of electricity retail sales to be renewable energy, was initially set at 20 percent by 2017 through SB 1078 and increased in 2018 to 60 percent by 2030 with a 100 percent carbon free mandate by 2045 via SB 100.

Despite these ambitious policies, oil and gas drilling and use remains prevalent. Though California leads the nation in renewable energy production, 43.4 percent of in-state electricity generation comes from natural gas (California Energy Commission 2019). California is one of the top crude oil producing regions in the country and nearly two-thirds of households in the state use natural gas for heating (U.S. Energy Information Administration (EIA) 2018).

Cap and Trade Program

The keystone of California’s climate policy is the establishment of a cap and trade program. The state’s cap and trade program was established as the vehicle by which the state would meet its ambitious climate targets. Under this program, the amount of greenhouse gas emissions is capped and the allowed emissions are divided into tradable permits. The permits are auctioned off and the revenue collected into the Greenhouse Gas Reduction Fund (GGRF)(Air Resources Board n.d.). Covered entities must meet their emissions allowance through a combination of permits and offset credit, where emissions reductions occur outside of the permitted activity. (AB 32) Offset credits can be used to meet up to eight percent off compliance obligation.

The GGRF supports programs that reduce greenhouse gas emissions (Air Resources Board n.d.) In 2012, the legislature passed a bill requiring that 25 percent of GGRF investments benefit disadvantaged communities, and 10 percent are located directly within disadvantaged communities via SB 535. The direct investment requirement has increased to 35 percent.

California’s cap and trade program is not without controversy. A set of environmental justice organizations filed suit to stop the program on several grounds, including that community members were excluded from public participation, that cap and trade excluded key industries, such as agriculture and industry, and that the Air Resources Board failed to properly investigate other alternatives to cap and trade (Takade 2013). While the lawsuit was unsuccessful, the concerns of disproportionate impact on environmental justice communities were recently

validated. Research conducted after the implementation of cap and trade shows that while emissions in the state have decreased overall, the benefit has not been felt in environmental justice communities (Cushing et al. 2016). The same report found that facilities with the highest levels of GHG and PM10 are more likely to be located in communities of color and poor communities. This disparity could be addressed by directly reducing emissions located in disadvantaged communities and limiting out of state offset projects.

Energy Profile

Moreover, there is concern whether communities housing oil and gas operations also have access to the benefits of renewable energy (Cha et al. 2019). Fossil fuel operations are more likely to be located in environmental justice communities but renewable energy generation is more widely distributed across the state. (Cha et al. 2019). The distribution of renewable energy is partly due to where solar resources are located but it is also clear that environmental justice communities are bearing a disproportionate burden of fossil fuel activities and not receiving the full benefits of renewable energy generation. (Cha et al. 2019).

Changing States Overview

Conditions for Change

Economic

Over the past 40 years, the California economy has seen significant growth in performance and also increasing income inequality. Job growth and GDP growth rates—aside from dips during the 1990-1991 recession and the Great Recession (GR) — have risen steadily in California, with an 86% and 166% increase relative to 1979, respectively.ⁱ Median wages in California have seen declines in real terms from 1990 to 2017 across the board, with some exceptions. The pay gap between white and POC adults is consistent and substantial across all income levels, except for AAPI adults with a bachelor's degree or higher. Statistics on median earnings by gender and race confirm the gender pay gap for all racial/ethnic groups, with the most significant gaps seen for white and Asian-American earners. Across all workers, the median earnings for males is \$54,772 and for females is \$47,947 (in 2017 dollars).

In California, the average employment level across all industries has risen over this period, with a substantial dip during the GR, and a steep increase through 2018 to nearly 15 million. In comparison, across Californian industries in the period of 2000 to 2017, the least growth has been seen in the mining. The share of establishments that are in fossil fuel (FF) industries decreased, from 0.80% in 2001 to 0.56% in 2018. Average annual pay among FF industries, already significantly higher than that across all industries, increased, with some fluctuation during the period, from \$87,948 to \$108,978.

Demographics

The growth in foreign-born populations and people of color in the state have led to an ever-changing racial/ethnic make-up and differential outcomes across the population of California. The percent foreign born in California has been substantially higher than the national average over the past 40 years, rising from 15% in 1980 to 27% in 2013-2017. Over the 2000 to 2013-2017 period, the total annual population change for POC rose to 6.15 million individuals and for the non-Hispanic white population decreased to -1.04 million individuals. One of the most notable changes in the population of California has been the substantial decrease in the white population and increase in the Latino population, a near full switch in population share that is projected to continue through 2050.

Politics

In the 2016 Presidential Election, a large majority of voters (8.8 million; 61.73%) voted for Hillary Clinton, whereas half of that number (4.5 million; 31.62%) voted for Donald Trump. The largest portion of votes came from Southern California. Counties in coastal California were mostly Democratic and Northern California were more Republican. When split into congressional voting districts, clustering of Republicans was revealed in the southeast, the Central Valley, and the Central Coast.

Arenas of Change

Legislative:

At the federal level, mostly unsuccessful efforts have been made to put forward bills relating to the just transition agenda over the previous three legislative sessions. Senator Dianne Feinstein and former Senator, Kamala Harris, have put forward some bills relating to the just transition agenda, but only Senator Harris cosponsored the Green New Deal (GND) and worked to develop more actionable policy around the agenda (Conley 2019). In the House, the GND resolution was cosponsored by 29 Californian representatives who have sponsored ambitious bills that have not been able to pass through Congress.

In the California State Legislature, a series of proposed bills have been successful in pushing the state towards a just transition over the previous three legislative sessions. Some notable bills include safeguards to the environment, incentives for investments in renewable energy, and protections for workers. AJR 7, a resolution that calls for the U.S. to adopt a GND has moved onto the State Senate for approval (California Legislature 2019). There has even been a push for

a GND for California spearheaded by Assembly member Rob Bonta, AB 1839, which is currently in the Assembly Committee on Natural Resources (Kranking 2020).

Judicial

After long negotiations with the Obama Administration, the federal EPA, and CalEPA, California was able to secure a waiver to set more ambitious vehicle emissions standards, incentivizing automakers to pursue more fuel-efficient and clean energy vehicles. However, the Trump Administration made clear its desire to relax and dismantle regulations meant to reduce emissions. In 2019, Trump revoked the fuel standards waiver and subsequently sent a series of suits from California Attorney General (AG) Xavier Becerra and other authorities, starting a long and climactic legal battle (Abramsky 2020). Additionally, many smaller suits against the oil and gas companies, some aided by the California Bureau of Environmental Justice created by Becerra, have gained traction, such as the ongoing suit against Chevron by the city of Richmond (Cabrera 2020; Cagle 2019).

Administrative

Under the administration of former Governor Jerry Brown in 2018, California set ambitious climate policy goals to curb emissions of GHGs by signing executive order B-55-8, which pledged California to achieve carbon neutrality by 2045 (Cha et al. 2019). Despite setting forward-looking climate policy, during its tenure, the Brown administration issued 20,000 new permits for drilling, mostly in sensitive locations (Trout 2018; Wolf and Siegel 2017). Despite acting contrary to the wishes of the Trump Administration by signing several laws to move California away from fossil fuels, now Governor Gavin Newsom initially allowed oil extraction to increase under his watch (Holder and Montgomery 2019; Office of Governor Gavin Newsom 2019b). Newsom later apologized, issued a moratorium on fracking permits, and fired the state's top oil regulators after learning of their holdings in oil companies (Cox 2019; KPIX 5 2019; Rowell 2019; Scow 2019). At the end of 2019, Newsom went onto order new studies and initiatives to advance carbon-neutrality, phase-out oil production, and protect public health (Office of Governor Gavin Newsom 2019a). Although these actions highlight newfound commitment, environmental justice advocates assert that the Governor must do more to keep the industry accountable and to protect front-line communities (Aguirre 2020; Ferrar 2020; Last Chance Alliance 2019).

At the local level, decisions are being made to support a just transition through initiatives, such as community choice aggregation (CCA), which “allows communities to offer procurement service to electric customers within their boundaries,” providing options for more clean sources of energy at rates competitive to that of investor-owned utilities (St. John 2018). The first

municipality to roll out this option to consumers was the City of Lancaster in 2015, and since then CCAs have been implemented across the state (Nikolewski 2018).

Corporate

There remains significant pushback from the oil industry over the more stringent environmental protections necessary for a transformation of California's economy. In recent years, the oil industry has spent the most money in California's history in order to garner lobbying power to derail major regulatory initiatives (Bacher 2019). Amidst the COVID-19 crisis and deregulation, the industry has increased harmful and operations (Office of Attorney General Xavier Becerra 2020). At the same time, a clear example of positive corporate engagement are the multiplicative efforts of industries in the state to take advantage of economic incentives, such as the \$800 million in investor-owned utilities' projects funded by the California Public Utilities Commission (CPUC) with authorization from SB 350. The implementation of these charging infrastructure projects will complement rising demand for electric vehicles and efforts made by vehicle-makers to supply it (O'Dea 2017).

Communications and Culture

California has consistently been heralded in the media as a climate leader, one that has filled the vacuum created by the Trump Administration's withdrawal from the Paris Climate Agreement and that stood in opposition to the Administration's efforts to dismantle environmental protections (Beeler 2018; Goodyear 2019; Knickmeyer 2019). However, due to the increase in wildfires around the state, California has been called upon to go further (Roth 2020; Sanchez and Miller 2019). More recently, the media has focused on both the linkages and fear surrounding the COVID-19 crisis and the climate crisis (Allen 2020; KQED Science 2020). Organizations, such as Rootskeeper and UpLiftCA, are engaging in initiatives to dismantle these predominant narratives of fear by creating counter-narratives that center on uplifting front-line communities, highlighting corruption, educating on issues and policy, and sharing a vision of a clean, sustainable, and just economy.

Electoral

Ballot initiatives relating to the just transition agenda have not been common in recent years, although there are two currently collecting signatures for 2020. One is a measure to have local air pollution control districts reappoint the California Air Resources Board (CARB) members by 2023 if certain air quality targets are not met, including two new positions reserved for those who work directly with affected communities (Ballotpedia 2020a). The other is a measure to ban the "sale or registration of gasoline and diesel passenger vehicles and light trucks" (Ballotpedia 2020b). In addition, voters also have the opportunity to elect local councilmembers, state

legislators, and congressional representatives that would best utilize their discretion to advance the just transition agenda

Capacities for Change

Broad alliances, such as the California Environmental Justice Alliance and the Last Chance Alliance have proven to be effective organizers and advocates for a just transition, but smaller networks have also spearheaded well-informed, ambitious, and important campaigns for structural and policy changes (California Environmental Justice Alliance n.d.; Last Chance Alliance n.d.). For example, the Electric Trucks Now has been a force in pushing CARB to be more proactive and take decisive action on not just limiting emissions, but also setting standards that would transform the economy and spur economic, health, and other environmental benefits (Electric Trucks Now n.d.). Most importantly, work is being done by front-line communities to advocate for their health and for policy change, despite immense pressure and retaliation from the oil and gas industry. A notable example is joint efforts of the Committee for a Better Arvin; the Central California Environmental Justice Network; the Center on Race, Poverty, and the Environment; and the young Mayor of Arvin Jose Gurrola, with support from the Bureau of Environmental Justice, to get well setback requirements approved (Ferrari 2018; Office of Attorney General Xavier Becerra 2020; Thompson 2019).

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ⁱ Unless otherwise stated, all analysis related to industry data was sourced from the U.S. Bureau of Labor Statistics (BLS) Quarterly Census of Employment and Wages (QCEW). All analysis related to demographic and economic data is USC ERI analysis of: IPUMS USA; U.S. Census Bureau; Woods & Poole Economics, Inc; GeoLytics, Inc; U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; and U.S. EPA National Air Toxics Assessment