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South Coast District Energy Policy Update

June 28, 2011

The South Coast Air Quality Management District (“SCAQMD”) [1] is currently developing an energy policy, aimed at achieving air quality goals by focusing on what it views as cleaner energy sources and the more efficient use of energy. While this approach has its supporters, it is raising concerns among the regulated community, who fear higher energy costs and decreased regulatory and energy flexibility.

The main theme of the draft energy policy—greater use of zero and near-zero emission technologies—first appeared in March, 2010 in the SCAQMD’s comment letter to the U.S. Environmental Protection Agency regarding proposed revisions to the National Ambient Air Quality Standard for ozone. In it, the SCAQMD expresses the need to transition out of fossil fuel combustion and move toward zero-emission technologies if it were to meet standards for oxides of nitrogen and fine particulate matter.

At a 2010 SCAQMD governing board retreat, SCAQMD staff suggested the need for an integrated strategy to address diverse environmental objectives, such as attaining health-based, air-quality standards, addressing environmental justice issues, achieving the goals of California’s Global Warming Solutions Act (AB 32), and meeting other coastal water, land use and transportation goals. The SCAQMD staff presented an approach calling for zero and near-zero emission technologies, largely based on electrification. Improvements in energy efficiency and use of renewable energy generation would support the overall electrification effort.

In March of this year, at the direction of its governing board, SCAQMD staff drafted an energy policy, which it is currently presenting to various stakeholder groups. The policy calls for a transition from traditional combustion of fossil fuels in cars, trucks, construction equipment and factories, to a broader use of “clean energy,” which includes electricity, hybrid vehicles, and fuel cells.

The draft policy also promotes demand-side management to reduce electricity demand, thereby reducing the need for additional generation capacity. It also calls for more in-Basin distributed generation, development of electricity storage technology, and more stringent controls on new or repowered electric generating plants.

The policy also proposes studies aimed at incentivizing and funding the early introduction of electrification and near-zero emission measures in the transportation sector. Establishing a separate electricity rate structure for off-peak charging is yet another goal of the policy.

The regulated community has expressed several concerns. Chief among them is how the policy will be utilized by the SCAQMD in its rulemaking, permitting, California Environmental Quality Act (CEQA) analyses, and advocacy efforts. While the SCAQMD staff has stated that the policy is not a regulation, it does intend for the policy to guide future decisions at the SCAQMD. There is further concern that the policy will evolve into regulations as SCAQMD staff seeks greater authority to implement various aspects of the policy.

Another concern is that, in developing its own energy policy, the SCAQMD may be creating conflicts with other governmental agencies more specifically involved in energy policy, including the U.S. Department of Energy, the Federal Energy Regulatory Commission, the California Energy Commission, and the California Public Utilities Commission. Although the SCAQMD is seen as a leader in stationary source emission control, energy security and energy diversity have not traditionally been their charge. Critics believe it may not have the requisite expertise to take on this new effort.

Environmental groups have generally been silent on the policy, with some calling for greater specificity in terms of policy objectives.

The policy is up for consideration by the SCAQMD’s governing board on July 8, 2011. Even if development of the policy is slowed, or the policy is recast as an “energy vision,” as some have suggested, the SCAQMD’s focus on electrification may be here to stay as the greater Los Angeles area continues to grapple with achieving State and Federal air quality goals.

[1] The SCAQMD is the air pollution control agency for all of Orange County and the urban portions of Los Angeles, Riverside and San

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