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**HEALTH AND SAFETY CODE - HSC**

**DIVISION 25.5. CALIFORNIA GLOBAL WARMING SOLUTIONS ACT OF 2006 [38500 - 38599.11]** ( *Division 25.5 added by Stats. 2006, Ch. 488, Sec. 1. )*

**PART 4. GREENHOUSE GAS EMISSIONS REDUCTIONS [38560 - 38568]** ( *Part 4 added by Stats. 2006, Ch. 488, Sec. 1. )*

**[38560.](#)** The state board shall adopt rules and regulations in an open public process to achieve the maximum technologically feasible and cost-effective greenhouse gas emission reductions from sources or categories of sources, subject to the criteria and schedules set forth in this part.

(*Added by Stats. 2006, Ch. 488, Sec. 1. Effective January 1, 2007.*)

**[38560.5.](#)** (a) On or before June 30, 2007, the state board shall publish and make available to the public a list of discrete early action greenhouse gas emission reduction measures that can be implemented prior to the measures and limits adopted pursuant to Section 38562.

(b) On or before January 1, 2010, the state board shall adopt regulations to implement the measures identified on the list published pursuant to subdivision (a).

(c) The regulations adopted by the state board pursuant to this section shall achieve the maximum technologically feasible and cost-effective reductions in greenhouse gas emissions from those sources or categories of sources, in furtherance of achieving the statewide greenhouse gas emissions limit.

(d) The regulations adopted pursuant to this section shall be enforceable no later than January 1, 2010.

(*Added by Stats. 2006, Ch. 488, Sec. 1. Effective January 1, 2007.*)

**[38560.7.](#)** The state board shall create, and maintain on its internet website, a greenhouse gas emissions dashboard that provides updated publicly available information regarding how the state is progressing toward meeting its statewide climate change goals.

(*Added by Stats. 2022, Ch. 366, Sec. 1. (SB 1145) Effective January 1, 2023.*)

**[38561.](#)** (a) On or before January 1, 2009, the state board shall prepare and approve a scoping plan, as that term is understood by the state board, for achieving the maximum technologically feasible and cost-effective reductions in greenhouse gas emissions from sources or categories of sources of greenhouse gases by 2020 under this division. The state board shall consult with all state agencies with jurisdiction over sources of greenhouse gases, including the Public Utilities Commission and the State Energy Resources Conservation and Development Commission, on all elements of its plan that pertain to energy-related matters including, but not limited to, electrical generation, load based-standards or requirements, the provision of reliable and affordable electrical service, petroleum refining, and statewide fuel supplies to ensure the greenhouse gas emissions reduction activities to be adopted and implemented by the state board are complementary, nonduplicative, and can be implemented in an efficient and cost-effective manner.

(b) The plan shall identify and make recommendations on direct emissions reduction measures, alternative compliance mechanisms, market-based compliance mechanisms, and potential monetary and nonmonetary incentives for sources and categories of sources that the state board finds are necessary or desirable to facilitate the achievement of the maximum feasible and cost-effective reductions of greenhouse gas emissions by 2020.

(c) In making the determinations required by subdivision (b), the state board shall consider all relevant information pertaining to greenhouse gas emissions reduction programs in other states, localities, and nations, including the northeastern states of the United States, Canada, and the European Union.

(d) The state board shall evaluate the total potential costs and total potential economic and noneconomic benefits of the plan for reducing greenhouse gases to California's economy, environment, and public health, using the best available economic models, emission estimation techniques, and other scientific methods.

(e) In developing its plan, the state board shall take into account the relative contribution of each source or source category to statewide greenhouse gas emissions, and the potential for adverse effects on small businesses, and shall recommend a de minimis threshold of greenhouse gas emissions below which emissions reduction requirements will not apply.

(f) In developing its plan, the state board shall identify opportunities for emissions reduction measures from all verifiable and enforceable voluntary actions, including, but not limited to, carbon sequestration projects and best management practices.

(g) The state board shall conduct a series of public workshops to give interested parties an opportunity to comment on the plan. The state board shall conduct a portion of these workshops in regions of the state that have the most significant exposure to air pollutants, including, but not limited to, areas designated as federal extreme nonattainment that have communities with minority populations, communities with low-income populations, or both.

(h) The state board shall update its plan for achieving the maximum technologically feasible and cost-effective reductions of greenhouse gas emissions at least once every five years.

*(Amended by Stats. 2022, Ch. 361, Sec. 3. (SB 1020) Effective January 1, 2023.)*

**38561.2.** (a) (1) By July 1, 2023, the state board shall develop a comprehensive strategy for the state's cement sector to achieve net-zero emissions of greenhouse gases associated with cement used within the state as soon as possible, but no later than December 31, 2045.

(2) To ensure adequate progress is made toward achieving the goal established in paragraph (1), the state board shall establish interim targets for reductions in the greenhouse gas intensity of cement used within the state relative to the average greenhouse gas intensity of cement used within the state during the 2019 calendar year, with the goal of reducing the greenhouse gas intensity of cement used within the state to 40 percent below the 2019 average levels by December 31, 2035.

(3) When determining the greenhouse gas intensity of cement, the state board shall not include greenhouse gas emissions reductions attributable to activities or offsets that are unrelated to the raw materials, fuels or other energy sources, processes, or transportation involved in making or using cement or its inputs.

(4) (A) By July 1, 2028, the state board shall evaluate the feasibility of achieving the interim targets established under paragraph (2) and may adjust the interim targets upward or downward to reflect technological advancements and progress in addressing barriers to the deployment of greenhouse gas emissions reduction technologies and processes, including those barriers for which measures have been identified pursuant to paragraph (7) of subdivision (b).

(B) If the state board makes a downward adjustment to any interim target established under paragraph (2), the state board shall document the feasibility constraints the state board has identified and recommend measures and actions, including proposed statutory changes, necessary to overcome those constraints to enable the cement sector to achieve net-zero emissions of greenhouse gases as soon as possible, but no later than December 31, 2045.

(b) In developing the comprehensive strategy pursuant to subdivision (a), the state board shall do all of the following:

(1) Define a metric for greenhouse gas intensity and evaluate the data submitted by cement manufacturing plants to the state board for the 2019 calendar year and other relevant data about emissions of greenhouse gases for cement that was imported into the state to establish a baseline from which to measure greenhouse gas intensity reductions.

(2) Assess the effectiveness of existing measures, identify any modifications to existing measures, and evaluate new measures to overcome the market, statutory, and regulatory barriers inhibiting achievement of the objectives described in this section.

(3) Identify actions that reduce adverse air quality impacts and support economic and workforce development in communities neighboring cement plants.

(4) Include provisions to minimize and mitigate potential leakage and account for embedded emissions of greenhouse gases in imported cement in a similar manner to emissions of greenhouse gases for cement produced in the state, such as through a border carbon adjustment mechanism.

(5) Coordinate and consult with other state agencies, districts, and experts in academia, industry, and public health, and with local communities.

(6) Prioritize actions that leverage state and federal incentives, where applicable, to reduce costs of implementing greenhouse gas emissions reduction technologies and processes and to increase economic value for the state.

(7) Evaluate measures to support market demand and financial incentives to encourage the production and use of cement with low greenhouse gas intensity, including, but not limited to, consideration of all of the following measures:

(A) Measures to expedite the adoption for use in projects undertaken by state agencies, including the Department of Transportation, of Portland limestone cement and other blended cements.

(B) Measures to provide financial support and incentives for research, development, and demonstration of technologies to mitigate emissions of greenhouse gases from the production of cement with the objective of accelerating industry deployment of those technologies.

(C) Measures to facilitate fuel switching.

(D) Measures to create incentives and remove obstacles for energy efficiency improvements and waste heat recovery at cement manufacturing facilities.

(c) The state board shall implement the strategy developed pursuant to this section, upon appropriation by the Legislature.

*(Added by Stats. 2021, Ch. 246, Sec. 2. (SB 596) Effective January 1, 2022.)*

**38561.3.** (a) By December 31, 2026, the state board, in consultation with relevant stakeholders, including, but not limited to, the California Building Standards Commission, the Department of Housing and Community Development, and the State Energy Resources Conservation and Development Commission, shall develop a framework for measuring the average carbon intensity of the materials used in the construction of new buildings, including those for residential uses.

(b) The state board shall also develop, by December 31, 2028, a comprehensive strategy for the state's building sector to achieve a 40-percent net reduction in greenhouse gas emissions of building materials as soon as possible, but no later than December 31, 2035. The baseline for the 40-percent net reduction shall be established based on an industry average of environmental product declarations reported for the 2026 calendar year, or the most relevant, up-to-date data that is available, as determined by the state board.

(c) The framework developed pursuant to subdivision (a) shall include both of the following:

(1) A requirement for the submission by an entity undertaking the construction of a project with a minimum size of five new residential units or 10,000 square feet of nonresidential building space of a life-cycle assessment, as defined in the International Organization for Standardization (ISO) 14040 series of standards with a focus on the Product Stage phases (A1-A3), to determine the carbon intensity of the materials used in new residential and nonresidential buildings.

(2) A requirement for the submission by the manufacturer of a building material of an Environmental Product Declaration, Type III, as defined by the International Organization for Standardization (ISO) Standard 14025, or similarly robust material life-cycle assessment approaches that have uniform standards in data collection consistent with ISO Standard 14025, industry acceptance, and integrity for construction materials used for the building. The state board shall determine how to proceed in the event that insufficient material life-cycle assessments or Environmental Product Declarations exist, or in the event of significant supply chain issues.

(d) The framework developed pursuant to subdivision (a) may include a tracking and reporting mechanism in order to facilitate the reporting of data to the state board on the carbon intensity of buildings, and that would also allow tracking of progress toward the carbon intensity reduction targets set forth in this section. Except for a fee to reimburse the state board for any administrative costs incurred in administering the reporting mechanism, the state board shall not impose any other charges on the participants in the reporting mechanism authorized under this subdivision.

(e) Based on the information submitted by an entity undertaking the construction of a covered project pursuant to paragraph (2) of subdivision (i), as well as other relevant information as determined by the state board, the state board shall evaluate the cost impact and feasibility of implementation of the strategy developed pursuant to subdivision (b), for the purpose of developing recommendations for addressing known cost impact and feasibility issues in strategy implementation. This subdivision does not affect the project's status as deemed to comply with the applicable target based on the finding made solely by the entity undertaking the construction of a project pursuant to paragraphs (1) and (2) of subdivision (i).

(f) As used in this section the following terms have the following meanings:

(1) "Feasibility," in regard to the use of a material, means all of the following:

(A) The material is capable of being installed in a successful manner within a reasonable period of time, taking into account economic, environmental, legal, social, and technological factors.

(B) The material does not harm the health or safety of those who install the materials or occupy the building.

(C) The building using the material can be designed to provide an equivalent function and, at a minimum, the same useful life, performance, and durability as the building made with baseline materials.

(D) The material is commercially available to the region of the project.

(E) The material has not been involved in a claim for a construction or design defect, breach of express or implied warranty, fraud, or misrepresentation.

(F) The material provides an equivalent function and at least the same useful life, performance, and durability as the baseline material.

(2) (A) "Cost impact" means a significant overall material or operational cost increase or schedule delay resulting from incorporating the lower carbon material.

(B) As used in subparagraph (A), "significant" means an increase of 5 percent or more in the operational or overall material cost at the location of the project or time schedule delay that is attributable to incorporating a lower carbon material compared to the baseline material for which it is a substitute in the project. For purposes of this paragraph, the baseline material shall be the material that would have been used by the entity undertaking the construction of the project if this section did not apply to the project at the time the application for the building permit is submitted for a model home or project, as applicable.

(g) The state board shall allow the entity undertaking the construction of a project to use the same persons as those responsible for the Certificate of Installation pursuant to paragraph (3) of subdivision (a) of Section 10-103 of Title 25 of the California Code of Regulations in submitting, reporting, notifying, tracking, or otherwise conveying information to the state board.

(h) The targets established by this section shall begin to apply no sooner than January 1, 2027, and two years after the baseline is established. The applicable target for each residential unit built within a project shall be the target that applied at the time the application was submitted for a building permit of the first model home in the project. For projects that do not use model homes, the applicable target shall be the target in effect at the time of submission of the application for the building permit.

(i) (1) For buildings covered by this section, the incorporation of lower carbon materials shall be limited or excluded to the extent that it has a cost impact or is unfeasible.

(2) An entity undertaking the construction of a project may seek to achieve the applicable target through the use of materials or methods pursuant to this section and, if an embodied carbon trading system is established or other alternative compliance method, pursuant to Section 38561.6, separately or in combination, as determined by the available compliance methods. If the entity undertaking the construction of a project uses materials or methods described in this section, Section 38561.6, or both, subject to the feasibility criteria and up to the cost impact limit, and the entity finds that it is still unable to achieve the applicable target due to unfeasibility or cost impact, then the project shall be deemed to comply with the applicable target. In that case, the entity undertaking the construction of a project shall provide the state board with documentation that shall be specified in the reporting and recordkeeping regulations that will be established by the state board.

(3) The state board shall consult experts, including, but not limited to, building product manufacturers, builders, and design professionals, to advise the state board on methods to reduce the carbon intensity of building materials and covered projects, while maintaining the avoidance of cost impact and their feasibility.

(4) The state board shall not have the authority to approve, deny, or delay the planning, use, development, design, or construction of a project.

(5) Manufacturers of building materials shall be required to report data to the state board to ensure that their products comply with applicable reduction targets in accordance with reporting and compliance requirements that will be established by the state board.

(j) This section does not apply to appliances.

(k) For purposes of the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code), no adverse environmental impact associated with the manufacture of building materials may be attributed, directly or indirectly, to the project incorporating the building material. This subdivision does not relieve the entity undertaking the construction of a covered project from complying with any other provision within this section.

(l) In developing the strategy pursuant to subdivision (b), the state board shall do all of the following:

(1) Research and prioritize actions and provisions that leverage state and federal incentives, where applicable, to reduce costs of implementing greenhouse gas emissions reduction technologies, processes, and materials used in construction-related projects for the construction industry, homeowners, and developers, and to increase economic value for the state.

(2) Evaluate measures to support market demand and financial incentives to encourage the production and use of materials used in construction-related projects with low greenhouse gas intensity, including, but not limited to, consideration of the following measures:

(A) Measures to expedite the adoption for use in projects undertaken by state agencies, including the Department of Transportation and the Department of General Services.

(B) Measures to provide financial support and incentives for research, development, and demonstration of technologies to mitigate emissions of greenhouse gases from the manufacture of materials used in construction-related projects, with the objective of accelerating commercial availability of those technologies.

(C) Measures to provide consumer access to building material embodied carbon data reported to the state board.

(m) The Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) does not apply to reporting regulations and reporting standards promulgated pursuant to this section. Prior to adopting those reporting standards and regulations pursuant to this section, the proposed rulemaking shall be made available to the public and stakeholders for comment and workshopping. The state board, the California Building Standards Commission, the Department of Housing and Community Development, and the State Energy Resources Conservation and Development Commission shall exchange technical information with each other as part of this process prior to the adoption of any reporting standard or regulation pursuant to this section. All other regulations adopted pursuant to this section are subject to the Administrative Procedure Act.

(n) Division 13 (commencing with Section 21000) of the Public Resources Code does not apply to the state board's development and approval of the framework and comprehensive strategy developed pursuant to this section.

(o) Paragraphs (1) and (2) of subdivision (i) apply when the state board adopts any mechanism, standard, requirement, regulation, rule, protocol, framework, strategy, credit, target, or establishes an embodied carbon trading system, or alternative incentives or compliance programs, whichever occurs first.

(p) Penalties relating to the use or failure to use low-carbon building materials, or the failure to achieve the applicable target, may not be applied to an entity undertaking the construction of a project that is deemed to comply pursuant to paragraphs (1) and (2) of subdivision (i).

(q) Except as otherwise provided in subdivision (p), penalties for a violation of this section are limited to the penalties described in subdivisions (a) and (d) of Section 42402, unless the violation shows a disregard for the regulations under this section, extreme negligence, or acts of deceit, in which case the penalties set forth in subdivision (b) of Section 42402 apply.

(r) Notwithstanding any other law, the penalties described in subdivision (q) are the exclusive enforcement mechanism against regulated entities for a violation of this section and Section 38561.6.

(s) As used in this section, "entity undertaking the construction of a project" means a person or entity who owns the real property that is the subject of a development agreement.

*(Amended by Stats. 2023, Ch. 316, Sec. 2. (AB 43) Effective January 1, 2024.)*

**38561.5.** (a) For purposes of this section, the following definitions apply:

(1) "Natural carbon sequestration" means actions that are undertaken on natural and working lands to remove and provide storage of atmospheric greenhouse gases in vegetation and soils. This shall include preservation, conservation, restoration, and sustainable management of these lands, which may include compost application, cover crops, hedgerows, planned grazing, urban forestry, riparian restoration, restoration of tidal flows to wetlands, and other forms of wetland restoration, among other relevant actions.

(2) "Natural lands" has the same meaning as set forth in paragraph (2) of subdivision (d) of Section 9001.5 of the Public Resources Code.

(3) "Nature-based climate solutions" means activities, such as restoration, conservation, and land management actions, that increase net carbon sequestration or reduce greenhouse gas emissions in natural and working lands.

(4) "Vulnerable communities" has the same meaning as set forth in subdivision (d) of Section 71340 of the Public Resources Code.

(5) "Working lands" has the same meaning as set forth in paragraph (1) of subdivision (d) of Section 9001.5 of the Public Resources Code.

(b) (1) On or before January 1, 2024, the Natural Resources Agency, in collaboration with the state board, the California Environmental Protection Agency, the Department of Food and Agriculture, the expert advisory committee established pursuant to subdivision (c), and other relevant state agencies, shall determine an ambitious range of targets for natural carbon sequestration, and for nature-based climate solutions, that reduce greenhouse gas emissions for 2030, 2038, and 2045 to support state goals to

achieve carbon neutrality and foster climate adaptation and resilience. These targets shall be integrated into the scoping plan prepared pursuant to Section 38561 and other state policies.

(2) Projects and actions developed to achieve the targets established pursuant to paragraph (1) shall support the state's efforts to achieve carbon neutrality, take into account climate impacts, increase resilience to climate change impacts, reduce greenhouse gas emissions, and enhance carbon sequestration in a manner that maximizes ecological health and biodiversity, and complements other climate and resources goals.

(3) The state board shall ensure that all emissions reductions from projects and actions developed to achieve the targets established pursuant to paragraph (1) shall be accounted for in a manner that does not result in double counting of emissions reductions, and that all greenhouse gas emissions reductions and removals used for any market-based compliance mechanism are in addition to any reductions and removals that would otherwise occur.

(4) On or before January 1, 2025, the Natural Resources Agency, in consultation with the state board, the California Environmental Protection Agency, and the Department of Food and Agriculture, shall review and update the Natural and Working Lands Climate Smart Strategy established pursuant to Section 39740.2 to achieve the targets established pursuant to paragraph (1).

(5) The review and update pursuant to paragraph (4) shall include all of the following:

(A) Descriptions of the actions and projects undertaken on natural and working lands to date.

(B) Quantified progress on emissions reductions, natural carbon sequestration, and cobenefits.

(C) A description of how the relevant agencies calculated emissions reductions, natural carbon sequestration, and cobenefits.

(D) A summary of the benefits to low-income communities, disadvantaged communities, vulnerable communities, disadvantaged farmers, and Native American tribes.

(E) An evaluation of the efficacy of the priority nature-based solutions, pathways, and priority actions for greenhouse gas reductions, climate resilience, and climate change adaptation.

(F) Identification and description of any barriers to achieving the range of targets pursuant to paragraph (1).

(G) Recommendations to address the barriers identified in subparagraph (F) to achieve the range of targets pursuant to paragraph (1).

(H) Recommendations from the expert advisory committee established pursuant to subdivision (c).

(c) The Natural Resources Agency and the state board shall jointly establish an expert advisory committee that is composed of university researchers, technical assistance providers, practitioners and other experts in the field of climate change and natural and working lands science and management, and Indigenous and environmental justice representatives, to inform and review modeling and analyses for natural and working lands, to advise state agencies on implementation strategies and standardized accounting, and to provide recommendations on addressing barriers to efficient implementation of this section.

(d) No later than January 1, 2025, the state board shall develop standard methods for state agencies to consistently track greenhouse gas emissions and reductions, carbon sequestration, and, where feasible and in consultation with the Natural Resources Agency and the Department of Food and Agriculture, additional benefits from natural and working lands over time. In estimating and tracking greenhouse gas emissions and reductions and carbon sequestration from natural and working lands, the state board shall take into account, where feasible, both of the following:

(1) Greenhouse gas emissions and reductions of carbon dioxide, methane, and nitrous oxide related to natural and working lands.

(2) Potential impacts of climate change, including, but not limited to, increased fire risk, warming temperatures, and decreasing precipitation, on the ability to reduce greenhouse gas emissions and sequester carbon from natural and working lands.

(e) On or before January 1, 2025, and every two years thereafter, the Natural Resources Agency shall publish data on its internet website on progress made in achieving the targets established pursuant to paragraph (1) of subdivision (b), including on state expenditures made to implement these targets.

*(Amended by Stats. 2023, Ch. 358, Sec. 1. (AB 1159) Effective January 1, 2024.)*

**38561.6.** (a) For purposes of this section, the following definitions apply:

(1) "Carbon intensity" means the quantity of life-cycle greenhouse gas emissions per unit of building material, and specifically the ratio between the net upstream carbon dioxide impact (emissions minus storage) of a material and the weight of the material.

(2) "Embodied carbon trading system" means a market-based credit trading platform of greenhouse gas emissions exchanges, banking, credits, and other transactions, governed by rules and protocols established by the state board, that result in the same greenhouse gas emission reduction, over the same time period, as direct compliance with a greenhouse gas emission limit or emission reduction measure adopted by the state board pursuant to this division.

(3) "Low-carbon building standard" means a framework created pursuant to Section 38561.3 to reduce by 40 percent the carbon intensity of the materials used in newly constructed buildings identified in paragraph (1) of subdivision (c) of Section 38561.3 and within the embodied carbon trading system, to facilitate a credit trading platform for building materials along with other requirements as specified.

(4) "Material life-cycle" means the aggregate of greenhouse gas emissions associated with material production, as defined in the International Organization for Standardization (ISO) 14040 series of standards with a focus on the Product Stage phases (A1-A3).

(5) "Entity undertaking the construction of a project" means a person or entity who owns the real property that is the subject of a development agreement.

(b) The state board may establish an embodied carbon trading system in compliance with the requirements set forth in Section 38561.3 and this section that meets both of the following requirements:

(1) If the state board opts to establish an embodied carbon trading system, the system shall be designed to be used by entities undertaking a construction project and building material manufacturers.

(2) The embodied carbon trading system unit of measurement shall be Global Warming Potential (GWP) per gross square foot (kg CO<sub>2</sub>e/sq. ft.<sup>2</sup>).

(c) The state board shall have the flexibility to design the embodied carbon trading system and may do all of the following with respect to the embodied carbon trading system:

(1) (A) Adopt rules and regulations for the credit allocation approach, the anticipated carbon price in the scheme, and trading periods.

(B) In developing the rules and regulations for the credit allocation approach, including those governing any tradeable compliance instrument, make efforts to avoid an overabundance of compliance credits in the market, and, to this end, may consider setting an upper limit on amount of credits that can be generated per unit of material.

(2) Consider using the credits generated through the use of the embodied carbon trading system to help promote innovation and investment in building construction materials that reduce emissions of greenhouse gases.

(3) Consider all relevant information pertaining to low-carbon building materials reduction programs in other states, localities, and nations, including other states, Canada, and the European Union, and, in doing so, review existing and proposed international, federal, and state greenhouse gas emission reporting programs, make reasonable efforts to promote consistency among the programs established pursuant to this division and other programs, and streamline reporting requirements on greenhouse gas emission sources.

(4) Integrate the embodied carbon trading system with the framework described in Section 38561.3 on or before December 31, 2026, and shall implement that system on and after January 1, 2029.

(5) Consult with the California Building Standards Commission, the Department of Housing and Community Development, and the State Energy Resources Conservation and Development Commission in the development of building regulations, in order to minimize duplicate or inconsistent regulatory requirements.

(d) The state board shall have the discretion to adopt further greenhouse gas emission reduction targets within the scope of Section 38561.3 prior to December 31, 2035, or provide early reduction credit considering market adoption, if appropriate.

(e) In developing its plan, the state board shall identify opportunities for emission reduction measures from all verifiable and enforceable actions, and best management practices.

(f) (1) The state board may adopt rules and regulations to monitor, verify, and enforce reductions in embodied carbon in building materials pursuant to this section and Section 38561.3.

(2) The state board shall minimize the administrative burden of implementing and complying with these regulations when possible.

(3) The state board shall design any rules and regulations to encourage manufacturers of building materials to produce low-carbon materials for sale in California to ensure that entities that undertake construction of projects identified in paragraph (1) of subdivision (c) of Section 38561.3 have an adequate supply of low-carbon materials that meet all of the feasibility and cost impact requirements of subdivision (f) of Section 38561.3 to meet the greenhouse gas reduction targets established in Section 38561.3.



(g) The state board may consider the use of third parties, such as verifiers, for purposes of implementing the requirements of this section.

(h) Compliance mechanisms, reporting requirements, and penalties for noncompliance with any compliance standards or an embodied carbon trading system established pursuant to this section or Section 38561.3 will be determined by the administrative process. The carbon trading system established pursuant to this section alone or in combination with Section 38561.3 shall not cause a project to have a cost impact or be unfeasible as those terms are defined in subdivision (f) of Section 38561.3.

(i) The state board shall periodically review and update its emission reporting and compliance standard requirements, as necessary.

(j) This section does not limit the state board's ability to establish alternative incentives or compliance programs aside from or in addition to an embodied carbon trading system.

(k) This section provides guidance only. This section does not limit or expand the authority of the state board.

(l) This section does not authorize the creation of a revenue-generating program or any other program that would result in moneys being paid to the state, other than penalties imposed for a violation of this section.

(m) Notwithstanding any other law, the penalties described in subdivision (q) of Section 38561.3 are the exclusive enforcement mechanism against regulated entities for a violation of this section.

*(Added by Stats. 2023, Ch. 316, Sec. 3. (AB 43) Effective January 1, 2024.)*

**38561.7.** (a) In the next update to the scoping plan prepared pursuant to Section 38561, the state board shall include both of the following:

(1) A discussion of industrial sources of emissions of greenhouse gases for which there are zero-emission alternatives currently technologically available.

(2) A discussion of industrial sources of emissions of greenhouse gases for which there are no zero-emission alternatives currently technologically available.

(b) This section shall become inoperative on July 1, 2028, and, as of January 1, 2029, is repealed.

*(Added by Stats. 2024, Ch. 595, Sec. 1. (SB 941) Effective January 1, 2025. Inoperative July 1, 2028, by its own provisions. Repeal operative January 1, 2029, by its own provisions.)*

**38561.8.** (a) For purposes of this section, "decarbonize" means to reduce or eliminate associated emissions of greenhouse gases.

(b) The state board, in consultation with the State Energy Resources Conservation and Development Commission and the Public Utilities Commission, shall prepare an evaluation posted to the state board's internet website by June 1, 2024. The evaluation shall include, but not be limited to, all the following:

(1) Policy recommendations regarding the use of hydrogen, and specifically regarding the use of green hydrogen, in the state to help achieve the state's climate, clean energy, and clean air objectives. The policy recommendations may include recommendations on how to overcome market barriers and accelerate progress in green hydrogen production, scaling and use, including through the use of public-private partnerships, demonstration projects undertaken by public, private, or nonprofit entities, or a combination thereof, incentives, financing mechanisms, or other policies, and recommendations to maximize economic, environmental, public health, workforce, and equity benefits resulting from increased utilization of green hydrogen.

(2) A description of strategies, consistent with the state's climate, clean energy, and clean air requirements, supporting hydrogen infrastructure, including needed infrastructure for production, processing, delivery, storage, and end uses in difficult-to-decarbonize sectors of the economy for the purpose of preparing infrastructure and end uses for green hydrogen deployment. This description shall identify policies that promote the reduction of economywide emissions of greenhouse gases and short-lived climate pollutants through the deployment of hydrogen, including green hydrogen, while ensuring that hydrogen infrastructure will support the employment of a skilled and trained workforce in California to perform that work.

(3) A description of the potential for other forms of hydrogen, outside of green hydrogen, to achieve emission reductions that can contribute to achieving the state's climate, clean energy, and clean air objectives.

(4) An analysis of how curtailed electrical generation could be better utilized to help meet the goals set forth in this division, including, but not limited to, whether curtailed electrical generation could be made available for the production of green hydrogen. The state board shall also consult with the Independent System Operator in the preparation of the analysis.

(5) An estimate of the amount of reduced emissions of greenhouse gases and air quality benefits the state could achieve through deploying green hydrogen through a variety of scenarios, the costs associated with using green hydrogen, and the associated



health and environmental impacts of prioritizing the development of various forms of hydrogen, when compared to other alternatives.

(6) An analysis of the potential for opportunities to integrate hydrogen, including green hydrogen, production and application with drinking water supply treatment needs, particularly for advanced treatment water supplies such as desalination, potable reuse, and salt and contaminant removal projects.

(7) Policy recommendations for regulatory and permitting processes associated with transmission and distribution of hydrogen, including green hydrogen, from production sites to end uses.

(8) An analysis of the life-cycle greenhouse gas emissions from various forms of hydrogen, including green hydrogen, production.

(9) An analysis of air pollution and other environmental impacts from hydrogen, including green hydrogen, distribution and end uses.

(c) In developing the evaluation pursuant to subdivision (b), the state board shall consult the California Workforce Development Board and labor and workforce organizations, including those that administer state-approved apprenticeship programs that train workers to construct, install, and maintain hydrogen infrastructure.

*(Added by Stats. 2022, Ch. 363, Sec. 2. (SB 1075) Effective January 1, 2023.)*

**38562.** (a) On or before January 1, 2011, the state board shall adopt greenhouse gas emissions limits and emissions reduction measures by regulation to achieve the maximum technologically feasible and cost-effective reductions in greenhouse gas emissions in furtherance of achieving the statewide greenhouse gas emissions limit, to become operative beginning on January 1, 2012.

(b) In adopting regulations pursuant to this section and Part 5 (commencing with Section 38570), to the extent feasible and in furtherance of achieving the statewide greenhouse gas emissions limit, the state board shall do all of the following:

(1) Design the regulations, including distribution of emissions allowances where appropriate, in a manner that is equitable, seeks to minimize costs and maximize the total benefits to California, and encourages early action to reduce greenhouse gas emissions.

(2) Ensure that activities undertaken to comply with the regulations do not disproportionately impact low-income communities.

(3) Ensure that entities that have voluntarily reduced their greenhouse gas emissions prior to the implementation of this section receive appropriate credit for early voluntary reductions.

(4) Ensure that activities undertaken pursuant to the regulations complement, and do not interfere with, efforts to achieve and maintain federal and state ambient air quality standards and to reduce toxic air contaminant emissions.

(5) Consider cost-effectiveness of these regulations.

(6) Consider overall societal benefits, including reductions in other air pollutants, diversification of energy sources, and other benefits to the economy, environment, and public health.

(7) Minimize the administrative burden of implementing and complying with these regulations.

(8) Minimize leakage.

(9) Consider the significance of the contribution of each source or category of sources to statewide emissions of greenhouse gases.

(c) (1) Unless otherwise required by context, terms in this subdivision shall have the definitions that apply pursuant to Section 95802 of Title 17 of the California Code of Regulations, as they read on January 1, 2017.

(2) The state board may adopt a regulation that establishes a system of market-based declining annual aggregate emissions limits for sources or categories of sources that emit greenhouse gases, applicable from January 1, 2012, to December 31, 2030, inclusive, that the state board determines will achieve the maximum technologically feasible and cost-effective reductions in greenhouse gas emissions, in the aggregate, from those sources or categories of sources. In adopting a regulation applicable from January 1, 2021, to December 31, 2030, pursuant to this subdivision, the state board shall do all of the following:

(A) (i) Establish a price ceiling. In establishing the price ceiling, the state board shall consider, using the best available science, all of the following:

(I) The need to avoid adverse impacts on resident households, businesses, and the state's economy.

(II) The 2020 tier prices of the allowance price containment reserve.

(III) The full social cost associated with emitting a metric ton of greenhouse gases.

(IV) The auction reserve price.

(V) The potential for environmental and economic leakage.

(VI) The cost per metric ton of greenhouse gas emissions reductions to achieve the statewide emissions targets established in Sections 38550 and 38566.

(ii) To implement the price ceiling, the state board shall develop a mechanism that consists of both of the following:

(I) Allowances remaining in the allowance price containment reserve as of December 31, 2020, shall be utilized solely for the purpose of sale at the price ceiling established by this section.

(II) If the allowances from the allowance price containment reserve are exhausted, the state board shall offer covered entities additional metric tons at the price ceiling if needed for compliance. All moneys generated pursuant to this clause shall be expended by the state board to achieve emissions reductions, on at least a metric ton for metric ton basis, that are real, permanent, quantifiable, verifiable, enforceable by the state board and in addition to any greenhouse gas emission reduction otherwise required by law or regulation and any other greenhouse gas emission reduction that otherwise would occur.

(B) Establish two price containment points at levels below the price ceiling. The state board shall offer to covered entities nontradable allowances for sale at these price containment points. The price containment points shall be established using two-thirds, divided equally, of the allowances in the allowance price containment reserve as of December 31, 2017.

(C) Require that current vintage allowances designated by the state board for auction that remain unsold in the auction holding account for more than 24 months to be transferred to the allowance price containment reserve.

(D) Evaluate and address concerns related to overallocation in the state board's determination of the number of available allowances for years 2021 to 2030, inclusive, as appropriate.

(E) (i) Establish offset credit limits according to the following:

(I) From January 1, 2021, to December 31, 2025, inclusive, a total of 4 percent of a covered entity's compliance obligation may be met by surrendering offset credits of which no more than one-half may be sourced from projects that do not provide direct environmental benefits in state.

(II) From January 1, 2026, to December 31, 2030, inclusive, a total of 6 percent of a covered entity's compliance obligation may be met by surrendering offset credits of which no more than one-half may be sourced from projects that do not provide direct environmental benefits in the state.

(ii) For purposes of this subparagraph, "direct environmental benefits in the state" are the reduction or avoidance of emissions of any air pollutant in the state or the reduction or avoidance of any pollutant that could have an adverse impact on waters of the state.

(F) Develop approaches to increase offset projects in the state considering guidance provided by the Compliance Offsets Protocol Task Force, established pursuant to Section 38591.1.

(G) Set industry assistance factors for allowance allocation commencing in 2021 at the levels applicable in the compliance period of 2015 to 2017, inclusive. The state board shall apply a declining cap adjustment factor to the industry allocation equivalent to the overall statewide emissions declining cap using the methodology from the compliance period of 2015 to 2017, inclusive.

(H) Establish allowance banking rules that discourage speculation, avoid financial windfalls, and consider the impact on complying entities and volatility in the market.

(I) Report to the Legislature, by December 31, 2025, on the progress toward meeting the greenhouse gas emissions reduction targets established pursuant to Sections 38550 and 38566 and the leakage risk posed by the regulation. The state board shall include recommendations to the Legislature on necessary statutory changes to the program to reduce leakage, including the potential for a border carbon adjustment, while maintaining the state's ability to reach its targets.

(J) (i) Report to the Legislature, in consultation with the Independent Emissions Market Advisory Committee, established pursuant to Section 38591.2, if two consecutive auctions exceed the lower of the price containment levels established pursuant

to subparagraph (B). The report shall assess the potential for allowance prices to reach the price ceiling for multiple auctions.

(ii) A report submitted to the Legislature pursuant to this section shall be submitted in compliance with Section 9795 of the Government Code.

(K) Report to the relevant fiscal and policy committees of the Legislature, including the Joint Committee on Climate Change Policies, on all of the following:

(i) Updates to the scoping plan prepared pursuant to Section 38561 prior to adopting the update.

(ii) Updates on the implementation of the scoping plan prepared pursuant to Section 38561.

(iii) Updates on the implementation of the market-based compliance mechanism adopted pursuant to this subdivision.

(d) Any regulation adopted by the state board pursuant to this part or Part 5 (commencing with Section 38570) shall ensure all of the following:

(1) The greenhouse gas emission reductions achieved are real, permanent, quantifiable, verifiable, and enforceable by the state board.

(2) For regulations pursuant to Part 5 (commencing with Section 38570), the reduction is in addition to any greenhouse gas emission reduction otherwise required by law or regulation, and any other greenhouse gas emission reduction that otherwise would occur.

(3) If applicable, the greenhouse gas emission reduction occurs over the same time period and is equivalent in amount to any direct emission reduction required pursuant to this division.

(e) The state board shall rely upon the best available economic and scientific information and its assessment of existing and projected technological capabilities when adopting the regulations required by this section.

(f) The state board shall consult with the Public Utilities Commission in the development of the regulations as they affect electricity and natural gas providers in order to minimize duplicative or inconsistent regulatory requirements.

(g) The state board may revise regulations adopted pursuant to this section and adopt additional regulations to further the provisions of this division.

(h) This section shall remain in effect only until January 1, 2031, and as of that date is repealed, unless a later enacted statute which is enacted before that date, deletes or extends that date.

*(Amended by Stats. 2017, Ch. 135, Sec. 4. (AB 398) Effective July 25, 2017. Repealed as of January 1, 2031, by its own provisions. See later operative version added by Sec. 5 of Stats. 2017, Ch. 135.)*

**38562.** (a) On or before January 1, 2011, the state board shall adopt greenhouse gas emissions limits and emissions reduction measures by regulation to achieve the maximum technologically feasible and cost-effective reductions in greenhouse gas emissions in furtherance of achieving the statewide greenhouse gas emissions limit, to become operative beginning on January 1, 2012.

(b) In adopting regulations pursuant to this section and Part 5 (commencing with Section 38570), to the extent feasible and in furtherance of achieving the statewide greenhouse gas emissions limit, the state board shall do all of the following:

(1) Design the regulations, including distribution of emissions allowances where appropriate, in a manner that is equitable, seeks to minimize costs and maximize the total benefits to California, and encourages early action to reduce greenhouse gas emissions.

(2) Ensure that activities undertaken to comply with the regulations do not disproportionately impact low-income communities.

(3) Ensure that entities that have voluntarily reduced their greenhouse gas emissions prior to the implementation of this section receive appropriate credit for early voluntary reductions.

(4) Ensure that activities undertaken pursuant to the regulations complement, and do not interfere with, efforts to achieve and maintain federal and state ambient air quality standards and to reduce toxic air contaminant emissions.

(5) Consider cost-effectiveness of these regulations.

(6) Consider overall societal benefits, including reductions in other air pollutants, diversification of energy sources, and other benefits to the economy, environment, and public health.

(7) Minimize the administrative burden of implementing and complying with these regulations.

(8) Minimize leakage.

(9) Consider the significance of the contribution of each source or category of sources to statewide emissions of greenhouse gases.

(c) In furtherance of achieving the statewide greenhouse gas emissions limit, the state board may adopt a regulation that establishes a system of market-based declining annual aggregate emissions limits for sources or categories of sources that emit greenhouse gases, applicable from January 1, 2012, to December 31, 2020, inclusive, that the state board determines will achieve the maximum technologically feasible and cost-effective reductions in greenhouse gas emissions, in the aggregate, from those sources or categories of sources.

(d) Any regulation adopted by the state board pursuant to this part or Part 5 (commencing with Section 38570) shall ensure all of the following:

(1) The greenhouse gas emission reductions achieved are real, permanent, quantifiable, verifiable, and enforceable by the state board.

(2) For regulations pursuant to Part 5 (commencing with Section 38570), the reduction is in addition to any greenhouse gas emission reduction otherwise required by law or regulation, and any other greenhouse gas emission reduction that otherwise would occur.

(3) If applicable, the greenhouse gas emission reduction occurs over the same time period and is equivalent in amount to any direct emission reduction required pursuant to this division.

(e) The state board shall rely upon the best available economic and scientific information and its assessment of existing and projected technological capabilities when adopting the regulations required by this section.

(f) The state board shall consult with the Public Utilities Commission in the development of the regulations as they affect electricity and natural gas providers in order to minimize duplicative or inconsistent regulatory requirements.

(g) The state board may revise regulations adopted pursuant to this section and adopt additional regulations to further the provisions of this division.

(h) This section shall become operative on January 1, 2031.

*(Repealed (in Sec. 4) and added by Stats. 2017, Ch. 135, Sec. 5. (AB 398) Effective July 25, 2017. Section operative January 1, 2031, by its own provisions.)*

**38562.2.** (a) This section shall be known, and may be cited, as the California Climate Crisis Act.

(b) For purposes of this section, "net zero greenhouse gas emissions" means emissions of greenhouse gases, as defined in subdivision (g) of Section 38505, to the atmosphere are balanced by removals of greenhouse gas emissions over a period of time, as determined by the state board.

(c) It is the policy of the state to do both of the following:

(1) Achieve net zero greenhouse gas emissions as soon as possible, but no later than 2045, and to achieve and maintain net negative greenhouse gas emissions thereafter. This goal is in addition to, and does not replace or supersede, the statewide greenhouse gas emissions reduction targets in Section 38566.

(2) Ensure that by 2045, statewide anthropogenic greenhouse gas emissions are reduced to at least 85 percent below the statewide greenhouse gas emissions limit established pursuant to Section 38550.

(d) The state board shall work with relevant state agencies to do both of the following:

(1) Ensure that updates to the scoping plan required pursuant to Section 38561 identify and recommend measures to achieve the policy goals stated in subdivision (c).

(2) Identify and implement a variety of policies and strategies that enable carbon dioxide removal solutions and carbon capture, utilization, and storage technologies in California to complement emissions reductions and achieve the policy goals stated in subdivision (c).

(e) (1) By December 31, 2035, the state board shall evaluate the feasibility and tradeoffs of achieving the policy goal stated in paragraph (2) of subdivision (c) relative to alternative scenarios that achieve the policy goals stated in paragraph (1) of subdivision (c), and report its findings and recommendations to the Legislature.

(2) The state board shall report to the Joint Legislative Committee on Climate Change Policies annually on progress toward the goals stated in subdivision (c).

(3) As part of its annual reporting requirements pursuant to Section 38592.6, the Legislative Analyst's Office, until January 1, 2030, shall conduct independent analyses of the state's progress toward the goals stated in subdivision (c) and shall prepare an annual report detailing its review, which may include recommendations for improvements in state actions taken to achieve the goals stated in subdivision (c). When appropriate, these annual reports may incorporate reviews of the state board's evaluation and reporting practices, and may include recommendations for potential changes to advance transparency and accountability. A report prepared pursuant to this paragraph shall be made available to the public.

*(Amended by Stats. 2023, Ch. 51, Sec. 13. (SB 122) Effective July 10, 2023.)*

**38562.4.** (a) For purposes of this section, the following definitions apply:

(1) "Scope 1 emissions" means all direct emissions from sources that are owned or controlled by the state agency, including, but not limited to, emissions from onsite fossil fuel combustion and fleet fuel consumption.

(2) "Scope 2 emissions" means all indirect emissions from sources that are owned or controlled by the state agency, including, but not limited to, emissions that result from the generation of electricity, heat, or steam purchased by the state agency from a utility provider.

(3) "State agency" means any state agency, board, department, or commission.

(b) It is the intent of the Legislature that all state agencies aim to achieve net-zero emissions of greenhouse gases resulting from their operations, including scope 1 and scope 2 emissions, no later than January 1, 2035, or as soon as feasible thereafter.

(c) In making progress toward the goal set forth in subdivision (b), the Department of General Services, in consultation with the State Air Resources Board, shall, to the extent feasible, do all of the following:

(1) On or before July 1, 2024, and annually thereafter until the goal set forth in subdivision (b) has been achieved, publish on its internet website or other publicly available location, an inventory of the greenhouse gas emissions of state agencies for the prior calendar year.

(2) On or before January 1, 2026, develop and publish, on its internet website or other publicly available location, a plan that describes required actions and investments for achieving the goal set forth in subdivision (b) and an estimate of the costs associated with the required actions and investments.

(3) Beginning June 30, 2028, and every two years thereafter until the goal set forth in subdivision (b) has been achieved, develop and publish, on its internet website or other publicly available location, an updated plan that includes a description of state agencies' progress, and any changes to the required actions and investments, toward achieving the goal set forth in subdivision (b).

(4) Ensure that the required actions and investments identified pursuant to paragraphs (2) and (3) are incorporated into the sustainability roadmaps of all state agencies.

(5) Subject to an appropriation by the Legislature, provide information, training, coordination, best practices, and other technical assistance to state agencies to help those state agencies implement the required actions and investments identified pursuant to paragraphs (2) and (3).

(d) State agencies shall incorporate the required actions and investments identified pursuant to subdivision (c) into their future budget proposals, subject to appropriation by the Legislature, in order to achieve the goal set forth in subdivision (b).

(e) Beginning December 31, 2027, and every two years thereafter, until the goal set forth in subdivision (b) is achieved, the Department of General Services shall report to the Legislature on the progress toward achieving that goal, including on both of the following:

(1) The overall greenhouse gas emissions from all state agencies and a summary of actions taken by state agencies since the submission of the last report.

(2) Barriers that are hindering progress and suggested actions that the Legislature could take to reduce those barriers.

*(Added by Stats. 2022, Ch. 368, Sec. 1. (SB 1203) Effective January 1, 2023.)*

**38562.5.** When adopting rules and regulations pursuant to this division to achieve emissions reductions beyond the statewide greenhouse gas emissions limit and to protect the state's most impacted and disadvantaged communities, the state board shall

follow the requirements in subdivision (b) of Section 38562, consider the social costs of the emissions of greenhouse gases, and prioritize both of the following:

(a) Emission reduction rules and regulations that result in direct emission reductions at large stationary sources of greenhouse gas emissions and direct emission reductions from mobile sources.

(b) Emission reduction rules and regulations that result in direct emission reductions from sources other than those specified in subdivision (a).

*(Amended by Stats. 2017, Ch. 561, Sec. 119. (AB 1516) Effective January 1, 2018.)*

**38562.7.** Each scoping plan update developed pursuant to Section 38561 shall identify for each emissions reduction measure, including each alternative compliance mechanism, market-based compliance mechanism, and potential monetary and nonmonetary incentive, the following information:

(a) The range of projected greenhouse gas emissions reductions that result from the measure.

(b) The range of projected air pollution reductions that result from the measure.

(c) The cost-effectiveness, including avoided social costs, of the measure.

*(Amended by Stats. 2017, Ch. 561, Sec. 120. (AB 1516) Effective January 1, 2018.)*

**38563.** Nothing in this division restricts the state board from adopting greenhouse gas emission limits or emission reduction measures prior to January 1, 2011, imposing those limits or measures prior to January 1, 2012, or providing early reduction credit where appropriate.

*(Added by Stats. 2006, Ch. 488, Sec. 1. Effective January 1, 2007.)*

**38564.** The state board shall consult with other states, and the federal government, and other nations to identify the most effective strategies and methods to reduce greenhouse gases, manage greenhouse gas control programs, and to facilitate the development of integrated and cost-effective regional, national, and international greenhouse gas reduction programs.

*(Added by Stats. 2006, Ch. 488, Sec. 1. Effective January 1, 2007.)*

**38565.** The state board shall ensure that the greenhouse gas emission reduction rules, regulations, programs, mechanisms, and incentives under its jurisdiction, where applicable and to the extent feasible, direct public and private investment toward the most disadvantaged communities in California and provide an opportunity for small businesses, schools, affordable housing associations, and other community institutions to participate in and benefit from statewide efforts to reduce greenhouse gas emissions.

*(Added by Stats. 2006, Ch. 488, Sec. 1. Effective January 1, 2007.)*

**38566.** In adopting rules and regulations to achieve the maximum technologically feasible and cost-effective greenhouse gas emissions reductions authorized by this division, the state board shall ensure that statewide greenhouse gas emissions are reduced to at least 40 percent below the statewide greenhouse gas emissions limit no later than December 31, 2030.

*(Added by Stats. 2016, Ch. 249, Sec. 2. (SB 32) Effective January 1, 2017.)*

**38568.** (a) Contingent upon appropriation by the Legislature, to better assist the state in achieving its greenhouse gas emissions reduction goals, the state board shall do all of the following with respect to incentive programs administered by the state board:

(1) To improve the state board's ability to isolate the greenhouse gas emissions reductions for each of its incentive programs, the state board shall establish a process to formally identify any overlap among any incentive programs that share the same objectives.

(2) To improve its ability to identify the effectiveness of each of its incentive programs in reducing greenhouse gas emissions, the state board shall develop a process to define, collect, and evaluate data on the behavioral changes that result from each of its incentive programs.

(3) To better demonstrate that its incentive programs are as effective as possible in achieving specific socioeconomic benefits, the state board shall develop a process to define, collect, and evaluate data that will translate to metrics demonstrating the socioeconomic benefits that result from each of its incentive programs.

(4) The state board shall enter into a contract with either the University of California or the California State University to collect the information necessary to better isolate greenhouse gas emission reductions and socioeconomic benefits ascribed to its incentive programs. The findings from that contract shall inform the processes and methodologies implemented by the state board.

(5) (A) The state board shall use the information collected pursuant to paragraphs (1) and (2) to refine any greenhouse gas emissions estimates of its incentive programs that are included in its annual reports to the Legislature, funding plans, or any long-term planning documents or reports.

(B) The state board shall use the metrics and data collected pursuant to paragraph (3) to make any funding and design recommendations in its annual reports to the Legislature or funding plans based on the efficacy and costs of its incentive programs in providing socioeconomic benefits.

(b) The state board shall complete the requirements of paragraphs (1) to (4), inclusive, of subdivision (a) within three years of receiving an appropriation from the Legislature for the purposes of this section.

(c) For purposes of this section, "incentive program" means an incentive program administered by the state board that is included in the audit entitled "California Air Resources Board: Improved Program Measurement Would Help California Work More Strategically to Meet Its Climate Change Goals" (Report Number 2020-114) conducted by the California State Auditor.

*(Added by Stats. 2021, Ch. 714, Sec. 1. (AB 1261) Effective January 1, 2022.)*