Advancing Climate Action *and* Affordability in California: 2025 Recommended Legislative Priorities

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INTRODUCTION

The climate crisis is rapidly worsening, already costing society more in lives and dollars with every increase in warming. 2024 is on track to be the hottest year on record and to exceed the dangerous threshold of 1.5°C. Abnormally warm sea surface temperatures, which fuel more severe storms, have been literally off the charts for the last year. Scientists recently reported that 25 of 35 Earth vital signs are at record extremes indicating "perilous times" for life on our planet. We are on the verge of tripping catastrophic global tipping points at much lower levels of warming than previously thought. These threaten to unleash a domino effect that could devastate food production and cause deadlier extremes in the decades ahead.

In 2023, the US alone experienced $92.9 billion in climate change-related "loss and damage" from increasingly extreme weather events. For California, direct costs of the last 5 years of catastrophic climate events are estimated at as much as $50 billion; yet the total societal cost is much higher. For example, California's 2018 wildfires are estimated to have totalled $148.5 billion in damages from capital losses, health costs and supply chain disruption. Climate related impacts are hurting California families in many ways. One is through the increasing cost of home insurance which went up 40% faster than inflation between 2017 to 2022. Meeting and exceeding the state's climate goals are thus essential to ensuring a stable economy.

However, a recent report concluded that California is not on track to meet the 2030 goal of a 40% reduction in emissions below 1990 levels. To get there, they calculate that we would need to reduce greenhouse gas emissions 4.6% every year through 2030. A recent accounting by the California Air Resources Board shows that in 2022 the state's emissions decreased just 2.4% over the prior year. At the same time, in the last two years the state has cut or delayed funding in critical climate programs that would move us more rapidly toward our goals.

Clearly California's climate action has not been commensurate with the crisis. It is time to significantly increase our relevant policymaking and implementation of them to address climate change and to secure an economy that ensures affordability for everyone. This is especially urgent in the face of a new federal administration that actively ignores science and opposes climate action. This memo offers some key policies that, if enacted, could move California forward to meet or exceed the state's climate goals closer to the speed and scale science demands for stabilizing the climate.

We recommend advancing policies within the following five areas to address the climate crisis in California's 2025 legislative session. This will help ensure the transition to a climate-safe future is more affordable for all Californians.

1. **Polluter's Pay Climate Superfund**
2. **Grid for the Future: Affordable, Clean, and Reliable Electricity**
3. **Nature-Based Solutions: drawdown past carbon pollution and enhance food and water security**
4. **Cap and Trade Reform and Reauthorization**
5. **Investing in Climate Priorities in a Tight Budget Year**

1. POLLUTER'S PAY CLIMATE SUPERFUND

Fossil fuels account for nearly 90% of all carbon dioxide (CO_2) emissions and more than 75% of global greenhouse gas emissions (GHG). Just 57 oil, gas, coal and cement companies are responsible for 80% of GHG emissions. These polluters have profited by externalizing their pollution costs upon our climate, environment and California families who pay the price with their health. This year, Vermont was the first state in the country to enact legislation requiring fossil fuel companies to pay for the damages caused by their products, the Climate Superfund Act (2024). The New York state legislature also passed the Climate Change Superfund Act which awaits Governor Hochul's signature as of this writing. These bills are modeled after the federal Comprehensive Environmental Response, Compensation, and Liability Act, commonly known as the "superfund," which requires industries that have released toxics into the environment to clean up legacy pollution under strict liability standards.

Recommended action:

- Introduce/support a **Polluters Pay Climate Superfund bill,** similar to SB 1497 (Menjivar, 2024), that would establish a program within CalEPA to assess fees on the largest fossil fuel polluters in the state, to pay their fair share of the damage their products have inflicted on California. The assessments could initially pay for a cost study to quantify climate impacts to the state, and then to help pay for the damages. Without this bill, California residents will continue to pay for climate damages that should be borne by the polluters who raked in massive profits while contributing to them. In this time of fiscal austerity in California, this bill will provide a critical revenue source of potentially billions of dollars each year for urgently needed climate mitigation and adaptation programs, financing a shift to a clean energy economy.

2. GRID FOR THE FUTURE: AFFORDABLE, CLEAN, AND RELIABLE ELECTRICITY

California could cut utility bills with distributed clean energy by generating renewable power close to where it is used and reducing the need for expensive transmission infrastructure. See

more in the Climate Center's recent policy brief, *Envisioning the California Grid for the Future: Clean, Affordable, Reliable, Resilient, Equitable, and Safe*, and related trade press. Accelerating the deployment of distributed clean energy resources has substantial potential to lower costs and build a more resilient and reliable grid but lobbying efforts continue to devalue customer-sited and local generation programs. A new analysis shows that California's rooftop solar customers benefited other ratepayers to the tune of $2.3 Billion due to cancellation of transmission projects. Another study shows that making more extensive use of vehicle-to-grid technologies would save California ratepayers around $1 billion per year. The state should be promoting distributed clean energy resources such as rooftop solar, microgrids and the use of EV batteries to reduce ratepayer costs.

Recommended actions:

- Introduce/support a "**Grid Affordability Act**" **creating a policy pathway to ensure that distributed energy resources are used to lower costs** rather than continuing with the current Investor Owned Utility (IOU) incentive structure which provides an economic disincentive for cost savings since IOUs can earn the highest rates of return based on spending as much as possible on building more poles and wires to meet load growth. The bill could begin to dismantle regulatory roadblocks, ensure the state acknowledges and supports the full value of distributed clean energy resources, and supports steps toward Performance Based Regulation compensation strategies for IOUs to align their profits with state goals of affordability, resilience and reliability.
- Introduce/support legislation **prohibiting the use of ratepayer funds for lobbying by IOUs**, such as the Utility Regulation Act passed last year in Colorado, that would help California reduce utility costs. This could also be modeled on SB 938 (Min) introduced in 2024. Several states have considered similar legislation.
- Introduce/support legislation **requiring California state government agencies to procure bidirectional electric vehicles** (EVs) to vastly increase the state's battery storage capacity and help ensure grid reliability and affordability, a logical next step after enactment of bidirectional EV legislation, SB 59 (Skinner) in 2024, sponsored by The Climate Center. This new legislation could direct the CA Department of General Services to issue guidance to all state agencies mandating that EV purchases by state government agencies be bidirectional to the extent practical.
- Introduce/support an "**Advanced Geothermal Energy Systems Development"** bill that would require the California Energy Commission (CEC) to evaluate and quantify the maximum feasible capacity of advanced geothermal energy systems (AGES) to achieve reliability, ratepayer, employment, and climate benefits, and to establish AGES planning goals. AGES could be essential to achieving the state's 100% renewable energy target through the provision of continuous clean energy when the sun isn't shining and the wind isn't blowing.

- The bill could require the CEC, in coordination with other agencies, to develop a strategic plan for AGES developments with community and environmental benefits and guardrails and to submit to the Natural Resources Agency and the Legislature an assessment of the economic benefits of AGES and required local and regional investment and workforce development needs.

3. NATURE-BASED SOLUTIONS (NBS): Draw down past climate pollution and enhance water and food security

In 2022, Governor Newsom signed into law AB 1757 (Garcia, R. Rivas), co-sponsored by The Climate Center, to accelerate nature-based solutions (NbS), sequester excess atmospheric carbon, and create resiliency on our natural and working lands as required for achieving a stable climate (per UN scientists). The resulting first-of-their-kind targets were released by the state in April 2024. Scaling up implementation has the potential to transform the land sector from a carbon source to a carbon sink, while providing adaptation and resilience co-benefits to protect our communities and environment from increasingly destructive extremes. To achieve these targets, regional planning and technical assistance must be prioritized and invested in as the bridge between landowners and public agencies.

The agricultural sector, specifically, holds significant opportunities to both reduce emissions and sequester legacy carbon from the atmosphere through climate-beneficial practices such as healthy soils management, while enhancing food security and building drought, flood, and wildfire resilience for farmers and our communities. Agriculture in California produced $59 billion in products in 2022, providing one third of the nation's vegetables and two thirds of its fruit and nuts, the largest in the country.

Recommended Action:

- Introduce/support legislation to **establish a "Regional Agriculture Partnership for Resilience" program** modeled after the wildfire sector's Regional Forest and Fire Capacity Program (Dept. of Conservation). Establishing a state program to build capacity for regional planning and climate-beneficial project implementation in the agricultural sector will be foundational to a thriving California and nation as we face increasing weather whiplash and its impact on food production and related jobs. A program of this type would help ensure that limited resources are leveraged through regional planning and coordination, prioritizing the highest impact projects, offering the potential for enhanced long term economic stability for our food producers and farmworkers. Other supporting policies include to:
  - Allocate a small portion of the state budget, as most other states do, to **fund Resource Conservation Districts** and related planning, essential to rapidly scaling up NbS.

- Support climate-beneficial agriculture and carbon farming through **a 1% voluntary surcharge on restaurant and garbage bills**.
- Introduce a "**Nature & Water Corporate Accountability" bill** requiring large companies to report annually on their biodiversity and water impacts and benefits, incentivizing them to contribute to NbS, similar to SB 253 (Wiener) and SB 261 (Stern).

4. CAP AND TRADE REFORM AND REAUTHORIZATION

California's Cap and Trade program is up for reauthorization and debate in 2025. Historically a centerpiece of California's efforts to cut emissions, this program has underachieved and has the potential to do much more with some modifications. The Climate Center's recent policy brief, Reforming California's Cap and Trade Program: Analysis and recommendations, summarizes essential reforms to make the program more effective at reducing GHG emissions while increasing revenue for the Greenhouse Gas Reduction Fund (GGRF) which can help make our clean energy transition more affordable for the public and more equitable.

Recommended Action: Introduce/support legislation that puts the state on the path to **enact these three key Cap and Trade reforms along with rebates, dividends and/or subsidies** as part of reauthorization to reduce emissions while also protecting consumers:

- Rapidly phase out free allowances to polluting firms to maximize their incentives to adopt carbon free technologies.
- Introduce an allowance adjustment mechanism to rectify oversupply of compliance instruments which results in very low carbon prices. This will lead to a more balanced and efficient carbon market.
- Eliminate offsets as compliance instruments since they are unreliable; replace them with direct and creditable emissions reductions.

These revisions, when implemented effectively, will significantly reduce greenhouse gas emissions, and increase the price of carbon pollution. It is therefore critical to simultaneously protect citizens from price increases in vital fuels like electricity and gasoline. This can be accomplished through rebates, dividends or subsidies for low and middle income Californians funded by auction revenues from the GGRF. This pricing protection can be phased out once consumers transition to clean technologies like EVs and heat pumps. In addition, the state's Cap and Trade program currently provides 25 million free allowances to fossil fuel companies each year. The Climate Center has calculated that this subsidy costs the state about $1 billion in annual revenue that could be used to help relieve ratepayers from skyrocketing energy costs.

5. INCREASING CLIMATE INVESTMENTS IN A TIGHT BUDGET YEAR

The new federal administration will likely attempt to slow down California's climate progress including our efforts to end the sales of fossil fuel powered vehicles in California in 2035 by ending federal tax credits and limiting Inflation Reduction Act (IRA) funding for EV charging infrastructure. Governor Newsom has expressed an interest in filling the gap should this occur. The state also faces projected budget deficits just when increased investments in accelerated, equitable climate solutions are needed the most.

Recommended Action:

- Introduce/support legislation to **end subsidies and tax breaks to the fossil fuel industry** in California. At a time when the state is cutting or delaying expenditures on climate priorities, the state must eliminate these subsidies and earmark the revenue for climate solutions. For example, disallowing the Water's Edge Election for fossil fuel companies (est. $4 billion for all industries in CA) could save hundreds of millions to billions of dollars annually. The Climate Center and partners have worked with legislators to request an analysis of the actual cost of these subsidies from the Franchise Tax Board.
- Introduce/support legislation to **redirect funding to the Clean Cars 4 All program** which has a track record of helping low income Californians afford electric vehicles (EVs) while also beefing up investments in the public charging infrastructure particularly in urban areas and for multi-family housing. These investments have the additional benefit of improving air quality and community health. To fund these investments, the state should redirect the billions paid by California's drivers for out-of-state biofuels as part of LCFS each year to EV subsidies, public charging infrastructure, and better transit options prioritizing ($2.9 billion went out of state for biofuels in 2021 alone). The state could also establish a "feebate" program. It would charge a fee on fossil fuel vehicles at point of sale for the future pollution they will cause and use the funds to provide rebates to low income EV buyers and to invest in public charging infrastructure.

Conclusion

Californians and people across the United States are calling for policymakers to address the climate crisis at the speed and scale required by science. The climate crisis is not slowing down and neither can we, regardless of what the new federal administration may throw at us. California's elected leaders must not only protect and defend our climate and clean energy progress, you must also boldly advance equitable climate mitigation and resilience solutions commensurate with our rapidly deteriorating climate reality. We have the solutions; we just need the political will to rise above the interests of corporate polluters and utilities that block action to protect their short term profit. We will support you in being the climate champions that the state, the nation and the world desperately need. Thank you for ensuring that California continues its global leadership to secure a climate-safe, healthy, thriving, equitable and affordable future for all.

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