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Many Moving Pieces in Governor's Zero-Emission Executive Order
Effect on Existing Passenger Vehicles Uncertain

Governor Gavin Newsom signed an executive order at a press conference last Wednesday that contained a requirement for all new vehicles sold in California after 2035 to be zero emission. As part of his presentation, he also assured the press that Californians would still be able to keep their existing internal combustion vehicles, and continue to repair and sell them after that date. A close review of the five-page executive order, however, reveals that there are also many other moving pieces, and surprisingly no mention of retaining existing passenger cars and trucks.

Given the many potential economic implications of this order, and the Governor's announcement that more orders will follow, CALED has prepared this summary of the order for its members.

<https://www.gov.ca.gov/2020/09/23/governor-newsom-announces-california-will-phase-out-gasoline-powered-cars-dramatically-reduce-demand-for-fossil-fuel-in-californias-fight-against-climate-change/>

Zero Emission Goals

The executive order reveals multiple zero emission goals applicable at various dates including:

- **2035:** 100% of in-state sales of new zero emission passenger cars and trucks, and “drayage” (short haul) trucks.
- **2035:** “Transition to” 100 percent zero emission off-road vehicles and equipment. (*Note: this provision does not mention “sales” or contain a definition of “equipment,” so it is unclear what happens to existing off-road vehicles and what type of equipment it applies to.*)
- **2045:** 100 percent of medium and heavy duty vehicles be zero emission for all operations where feasible. (*Note: this goal is also not connected to sales of new vehicles, so presumably it means the phase out of such vehicles with internal combustion engines.*)

The California Air Resources Board (CARB) is required to develop and propose:

- Passenger vehicle and truck regulations requiring increasing volumes of new zero emission vehicles to be sold annually toward the 100 percent target in 2035.
- Medium and heavy duty vehicle regulations toward the target of 100 percent of the fleet transitioning toward zero emission by 2045.
- Strategies, in coordination with other state agencies, the US EPA, and air districts to achieve 100 percent zero emission for off road vehicles and equipment by 2035.

Hydraulic Fracturing Ban

Also mentioned in the “Whereas” clauses of the executive order is a goal of ending the issuance of new hydraulic fracturing permits by 2024. The Governor plans to pursue this goal legislatively in 2021.

Dates for Related Deliverables from State Agencies:

The order contains implementation direction to state agencies, including specific deliverables by the following dates:

- **January 31, 2021:** Requires the Governor’s Office of Business and Economic Development (GOBiz), in consultation with numerous listed state agencies, local agencies and the private sector, to develop a Zero Emission Vehicle Market Development Strategy.
- **July 15, 2021:** Requires the State Transportation Agency, in consultation with the Department of Transportation and the California Transportation Commission, to develop near term actions and investment strategies to improve clean transportation, sustainable freight, and transit options while continuing a “fix-it-first” approach.
- **July 15, 2021:** Requires the Labor and Workforce Development Agency and the Office of Planning and Research, in consultation with other state agencies, to expeditiously implement a “Just Transition Roadmap” contained in a (June, 2020) report “Putting California on the High Road: A Jobs and Climate Action Plan for 2030.”
<https://cwdb.ca.gov/wp-content/uploads/sites/43/2020/09/AB-398-Report-Putting-California-on-the-High-Road-ADA-Final.pdf>
- **July 15, 2021:** Requires the California Environmental Protection Agency and the Natural Resources Agency to expedite regulatory processes to repurpose and transition upstream and downstream oil production facilities, involving community participation, labor standards, and protection of public safety health and the environment. The agencies shall report progress and provide an action plan, including proposed changes to regulations, laws, or resources.
- **July 15, 2021:** Requires the California Environmental Protection Agency and the Natural Resources Agency, in consultation with other listed state agencies, to develop strategies, recommendations, and actions to manage and expedite the responsible closure and remediation of former oil extraction sites.
- **December 31, 2021:** Requires the Department of Conservation Energy Management Division to propose a strengthened, stringent, science-based, health and safety rule that protects communities and workers from oil extraction activities.

Next Steps:

At the conclusion of his press conference, the Governor alluded to additional executive orders, and that combatting climate change can be expected to be a major focus of his January budget proposals. Several legislators have already stepped forward to carry a proposed hydraulic fracturing ban. The Governor’s actions will likely spur other climate related proposals by legislators in 2021.

This executive order raises additional issues that will trigger a more expansive policy discussion:

- Businesses will be looking for much more detail on how this order affects their existing equipment and vehicles and the feasibility and costs associated with replacement.
- Owners of California's 15 million existing passenger cars and trucks will also be seeking more clarity. Despite the Governor's assurances at his press conference on how this executive order will not affect existing passenger cars and trucks, the lack of any mention of this topic in the text of the order, combined with the apparent focus of the order to phase to 100 percent zero emission off road vehicles, unspecified "equipment", and medium and heavy trucks and equipment, leaves this issue uncertain.
- Expect a future debate over what happens to phased-out equipment and vehicles. If many are sold and continue in use in other states and countries, it will undercut the impact of California's aggressive climate policies on global greenhouse gas reduction. State climate regulators may attempt to restrict such sales.
- The phase-out of fossil-fuel vehicles will have major implications on both transportation and local government funding:
 - Repairs and maintenance to streets, roads, and highways is funded by the state and federal per-gallon gas tax. As fewer gallons are purchased, these revenues will decline. Tax collection methods will have to be altered to ensure sufficient revenue is available for road maintenance and improvements.
 - Cities and counties depend on revenue from gas purchases collected from local sales and use tax, and transactions and use tax, to support local services. A decline in gas purchases will reduce these local revenues.