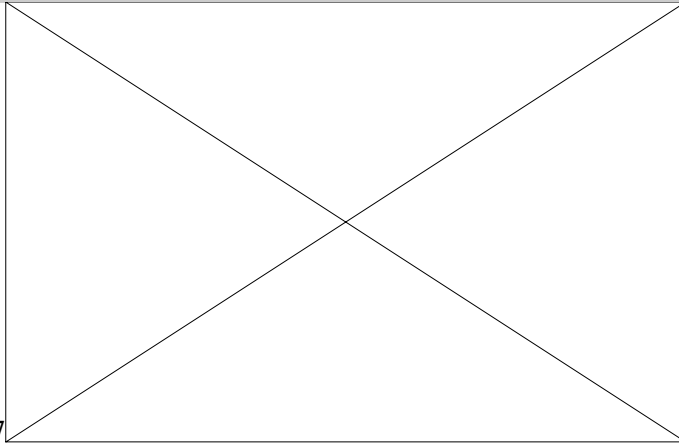




Office of the Governor

ARNOLD SCHWARZENEGGER
THE PEOPLE'S GOVERNOR

EXECUTIVE ORDER S-01-07



01/18/2007

WHEREAS greenhouse gas (“GHG”) emissions pose a serious threat to the health of California’s citizens and the quality of the environment; and

WHEREAS California’s transportation sector is the leading source of GHG emissions in the state, contributing over 40 percent of the state’s annual GHG emissions; and

WHEREAS Assembly Bill 32 (Chapter 488, Statutes of 2006) requires a cap on GHG emissions by 2020, mandatory emissions reporting, identification of discrete early action measures, achievement of the maximum technologically feasible and cost-effective emission reductions from sources, and authorizes the development of a market-based compliance program; and

WHEREAS California is almost entirely dependent on one energy source for its transportation economy, relying on petroleum-based fuels to meet 96 percent of its transportation needs; and

WHEREAS there were more than 24 million motor vehicles registered in California in 2005 which is more than one per licensed driver; statewide gasoline consumption was almost 16 billion gallons in 2005 which is second only to the United States and slightly more than that of Japan (a country with four times the population); and there are only 80,000 hybrids and 240,000 flex-fuel vehicles on our roads today, together composing only 1.3% of all cars in California; and

WHEREAS California's dependence on a single type of transportation fuel whose price is highly volatile imperils our economic security, endangers our jobs, and jeopardizes our industries; and

WHEREAS diversification of the sources of transportation fuel will help protect our jobs and economy from the consequences of oil price shocks; and

WHEREAS alternative fuels can provide economic development opportunities and reduce emissions of greenhouse gases, criteria pollutants, and toxic air contaminants.

NOW, THEREFORE, I, ARNOLD SCHWARZENEGGER, Governor of the State of California, by virtue of the power invested in me by the Constitution and statutes of the State of California, do hereby order effective immediately:

1. That a statewide goal be established to reduce the carbon intensity of California's transportation fuels by at least 10 percent by 2020 ("2020 Target").
2. That a Low Carbon Fuel Standard ("LCFS") for transportation fuels be established for California.

3. The Air Resources Board (“ARB”) shall determine if an LCFS can be adopted as a discrete early action measure pursuant to AB 32, and, if so, shall consider the adoption of a LCFS on the list of early action measures required to be identified by June 30, 2007, pursuant to Health and Safety Code section 38560.5.
4. The LCFS shall apply to all refiners, blenders, producers or importers (“Providers”) of transportation fuels in California, shall be measured on a full fuels cycle basis, and may be met through market-based methods by which Providers exceeding the performance required by a LCFS shall receive credits that may be applied to future obligations or traded to Providers not meeting the LCFS.
5. The process for meeting the 2020 Target shall be as follows:
 - A. The Secretary of the California Environmental Protection Agency (“Secretary”) shall coordinate activities between the University of California, the California Energy Commission (“CEC”), and other agencies as required to develop and propose by June 30, 2007, a draft compliance schedule to meet the 2020 Target.
 - B. The CEC shall incorporate as appropriate the LCFS draft compliance schedule into the State Alternative Fuels Plan (“SAFP”) per AB 1007 (Chapter 371, Statutes of 2005), and upon adoption shall submit the SAFP to the ARB for consideration.
 - C. Upon submission of the SAFP, the ARB shall consider initiating a regulatory proceeding to establish and implement the LCFS.
6. The Public Utilities Commission, in the implementation of the GHG emissions cap adopted by Decision 06-02-032, is requested to examine and address how the investor-owned utilities can contribute to reductions in GHGs in the transportation sector.
7. The Secretary for Environmental Protection shall report to the Governor and the State Legislature by January 2008 and biannually thereafter on progress made toward meeting the 2020 Target.



This Order is not intended to, and does not, create any rights or benefits, substantive or procedural, enforceable at law or in equity, against the State of California, its departments, agencies, or other entities, its officers or employees, or any other person.

I FURTHER DIRECT that as soon as hereafter possible, this Order shall be filed with the Office of the Secretary of State and that widespread publicity and notice be given to this Order.

IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 18th day of January 2007.