Thank you, Chairman DeSaulnier and members of the Committee for the opportunity to testify. My name is Simon Mui, and I'm Director of NRDC's California Vehicle and Fuels Program. NRDC is a nonprofit organization of scientists, lawyers, and environmental specialists dedicated to protecting public health and the environment. Founded in 1970, NRDC has more than 1.3 million members and online activists, 250,000 of whom are Californians.

[….. Introductory remarks….]

I want to first report that just five years ago, you'd find a total of ten cars sold in U.S. that would get over 30 mpg. Today there are over 60, as slide 2 shows. Why is this, you might ask?

AB32 is Driving Growth and Giving Consumers More Choice

This is in large part due to AB32 and the Advanced Clean Car Standards that started in California, with a little known freshman legislator Fran Pavley in 2002. Today it's been expanded nationwide through the National Program through the Obama Administration. Largely driven by performance standards, automakers have invested in innovation to make today's fuel-sippers instead of yesterdays fuel hogs -- saving families like mine significantly at the pump. And guess what? The no compromise family vehicle I'm driving today is close to meeting the standards in 2025. By then, my four year old will be of driving age, and the engineers at Ford and other automakers will have made an even more fuel efficient, safer, and better performing car. AB32 is driving growth and helping provide us with cleaner, more fuel-efficient mobility.

AB32 is Saving Consumers at the Pump and Protecting California's Economy

AB32 is the largest oil savings package in the state's history. Combined, the Advanced Clean Car Standards, the Low Carbon Fuel Standard, the Sustainable Communities Program, and Cap-And-Trade – are collectively reducing California's fuel bill by $50 billion cumulatively over the next decade. That's about $1000 a household annually by 2022 – and these savings grow even larger afterwards as the new fleet replaces the old fleet. This means more money in our pocketbooks, money that will largely be reinvested in our local economy helping with job growth.

But we need to continue doing more. We still remain 92% dependent on a single energy source for the transportation sector – oil. Last year, consumers and businesses in the state still spent roughly $70 billion purchasing gasoline and diesel. Most of our petrodollars left the state as a wealth transfer to oil producers and foreign nations. At the same time, California's economy continues to be rocked four to five times a year by recessionary-inducing fuel price spikes. Jumps in global crude oil prices were responsible 64 percent of the time. Of the rest, refinery accidents and equipment failures accounted for 20 percent, planned refinery shut-downs for maintenance six percent; and seasonal and holiday driving demand 10 percent of the time. The best way to reduce our vulnerability is to cut our oil consumption and to give consumers more fuel choices. Compounding this problem, the health of our families and the climate is being harmed every day from the release of millions of tons of pollution.

It was against this backdrop, the Low Carbon Fuel Standard, or LCFS, was born to ensure we have other alternative fuel supplies that are also lower carbon. Expanding the supplies of alternatives through the LCFS will ultimately, help protect and buffer Californians against impacts of gasoline price shocks.

AB32 Is Fueling Growth

The good news is that hundreds of companies around the country – many of them located in California – are already producing alternative fuels and creating real jobs. Take Propel Fuels, who relocated to CA in part because of our AB32 Clean Energy Law, who is developing a network of renewable fuel pumps, giving consumers more fuel choices beyond simply regular or premium unleaded. Take Crimson Renewables in Bakersfield, CA that has upgraded to take more waste greases and inedible animal fats to help customers meet the LCFS. Or think about

BrightSource Energy, based in Oakland, CA that has put up thousands of arrays of solar thermal mirrors to provide process heat for enhanced oil recovery fields, resulting in a lower carbon gasoline and diesel products for the oil industry. These companies are doing it, producing and investing in projects that have already eliminated over 3 million tons of carbon pollution.

The Oil Industry Can Indeed Invest to Clean Up

Now, you may be hearing claims that cleaner fuel standards and AB32 will break the bank, cause massive economic dislocations, and shutdown much of the refining industry in California. It reminds me of the claims that the auto industry made a decade ago against clean car standards, that it would also break the bank and ruin the industry. But today, the auto industry is actually revitalizing by producing fuel efficient vehicles and will cut their carbon intensity by 50% and smog-forming pollutants by over 70% by 2025.

By contrast, the oil industry has done little to reduce their carbon footprint. Here in California, the carbon performance is actually worsening, not improving because we're importing even dirtier fuels like tar sands now. This is reflected globally, with the top five majors spending nearly $200 billion in dirtier fuels like tar sands compared to $4 billion in renewable fuels over the past 5 years. This oil industry investment trend would begin to be shifted with the LCFS. There are real, cleaner projects that could be undertaken to reduce refinery and crude oil production emissions.

We're not insensitive to real concerns by oil companies and making the program more robust to real concerns. But we also have major questions about WSPA's Boston Consulting Group report, including its fundamental assumption that costs to reduce carbon are thousands of dollars a ton, rather than the real-world, tens of dollars the reduction credits currently cost. Any modeling that assumes these astronomical costs will ultimately result in a snowball disaster effect. These types of disaster scenarios can be readily prevented by making the LCFS more robust such as through enhancements like a cost-containment mechanism. But we also need the oil industry to know that the status quo of constantly fighting and opposing, saying 'no we can't' instead of 'yes we can,' and creating regulatory and business uncertainty is unacceptable. It's high time for industry to find ways to reduce emissions and to provide consumers with cleaner choices.

AB32: Move forward with implementation and allow continued program improvement

What is needed now is a consistent policy signal and regulatory certainty for business investments, just as we also look to further refine and improve the programs. Let's accelerate the good. Let's expand California's fuel choices, attract investments and jobs, and protect our economy from oil price shocks.