



October 20, 2006

Governor Arnold Schwarzenegger signs Assembly Bill 32: Global Warming Solutions Act of 2006 (AB 32)

Orange County, CA - On September 27, 2006, Governor Arnold Schwarzenegger signed Assembly Bill 32: Global Warming Solutions Act of 2006 (AB 32). California is the world's 12th-largest emitter of greenhouse gases, responsible for ten percent of the carbon dioxide produced nationally and 2.5 percent globally. AB 32 is a ground-breaking bill establishing a first-in-the-world comprehensive program of regulatory and market mechanisms to achieve real, quantifiable, cost-effective reductions of greenhouse gases. AB 32 sanctions the California Air Resources Board (Air Board) and other agencies to begin measuring greenhouse gas (GHG) emissions from electric power plants, oil refineries and other resources.

It is anticipated that this landmark legislation will eventually be adopted across the country and internationally. California hopes to set precedent for other states, the rest of the nation and for international countries. AB 32 is the most aggressive U.S. program and will set a mandatory cap on California Greenhouse Gas Emissions. It establishes annual mandatory reporting of GHG emissions for significant sources and sets limits to cut statewide emissions to 1990 levels by 2020, about 25 percent below today's levels. Industries would be required to begin making reductions in 2012.

All major contributors of greenhouse gases will be required to quantify and report their emissions through the California Climate Action Registry (Registry) and have them enforced by the Air Board. The Registry is primarily based on the Greenhouse Gas Protocol (GGP), which is utilized by many other GHG programs. The Registry is currently one of the most comprehensive GHG reporting and registry programs, but no reduction targets are mandated. Most of the information reported by facilities under the Registry becomes a matter of public record, which is used for planning, policy development and other regulatory purposes. AB 32 will require all major contributors of greenhouse gases report their emissions into this inventory to help establish a baseline to guide in reduction programs. Businesses who have already joined the Registry will receive credit for their monitoring and emissions reductions.

News Release Contact:

Mary Ngo
E5, Inc.
11358 Knott Street
Garden Grove, CA 92841

Tel (714) 373-3800
Fax (714) 373-3828
Web <http://www.E5.com>

AB 32 would expand the responsibilities of the Registry by specifying the Registry to work in coordination with the California Environmental Protection Agency, and the State Energy Resources Conservation and Development Commission. The Registry would work with the agencies to adopt procedures and protocols for monitoring, estimating, calculating, reporting, and certifying greenhouse gas emissions for the largest industrial sectors such as oil and natural gas, electric power, cement production, municipal solid waste and industrial waste hauling and disposal.

The California Air Resources Board is likely to create a "Cap and Trade" program, whereby participating facilities may freely purchase and sell GHG emissions in order to achieve reduction targets. The program would allow companies that have made more emission reductions than required to sell their credits to other businesses who haven't reached their emission goal. The broad requirements of agreement stipulate that:

- By June 30, 2007, the Air Board must develop a list of early action measures to be adopted by January 1, 2010 that can reduce emissions in the short term.
- By January 1, 2008, the Air Board must adopt regulations creating a statewide global warming emissions reporting and monitoring system. The largest emitters will be required to report their emissions on an annual basis. The Air Board must determine what the level of global warming emissions was in 1990. That level will become the emissions cap that must be met by 2020.
- By January 1, 2009, the Air Board must prepare a plan for how the 2020 cap can be met in the most cost-effective manner.
- By January 1, 2011, the Air Board must officially put into place specific regulations to achieve the global warming emission reductions. These regulations must be in effect by the start of 2012.

About E5, Inc.

Based in Orange County, California, E5 Inc. provides environmental risk management and consulting services. Leveraging its proprietary eMRR™ software platform and staff of qualified environmental professionals, E5 helps businesses identify, manage and minimize environmental risks and liabilities from their operations. E5 offers a full range of professional services and solutions, including, Auditing, Permitting, Risk Assessment, Management and Global Warming Consulting. For additional information, visit <http://www.E5.com>

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