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Contact: Roxanna Smith
510.326.0390
415.453.0430

Unraveling California's Ties to Petroleum

A new study highlights the connection between seemingly unconnected policies and the Golden State's demand for oil

(San Francisco)- California policies that have seemingly little to no connection to petroleum use actually provide incentives that drive demand for oil use artificially high in the state. Fifteen such policies are identified in a new report, *Unraveling Ties to Petroleum: How policy drives California's demand for oil (www.next10.org),* released today by the nonpartisan, nonprofit group Next 10 and authored by UCLA experts.

"Under California's landmark climate and energy law, AB 32, the state is obligated to cut carbon emissions significantly through the year 2020," said F. Noel Perry, businessman and founder of Next 10. "We want to show Californians that there are many options for reducing emissions in the state – including looking at existing policies and how they might inadvertently increase our demand for fossil fuels."

Petroleum accounts for the greatest total share of California's energy demand, supplying 43.7 percent of our energy needs. The report consists of 15 separate policy briefs that focus on policies affecting California's transportation sector. The transportation sector accounts for nearly 40 percent of the state's energy consumption.

The following policies were identified as having a significant effect on California's future fuel use:

1. **Nonresidential parking policies –** Minimum parking requirements inadvertently subsidize driving. Dispensing with minimum parking requirements, while encouraging shared parking plans and the market-based allocation of parking spaces would help to reduce the inadvertent subsidy.

2. **Prioritizing automobiles over other modes of transportation in congested areas –** When planning, most California transportation departments continue to use performance metrics that ignore modes of transportation other than the

automobile. As a result, many projects simply expand the auto-based transportation network and ignore people who use alternatives, like public transit, walking, and biking.

3. **Bundling of residential parking in high-quality transit areas –** Cities often fail to recognize differences in household vehicle demand when setting parking policy in residential areas. Changes in parking policy in residential areas could eliminate hidden penalties for residents who have fewer cars because they use public transit, making transit-oriented developments more effective at reducing traffic.

4. **Auto insurance rates –** State law already allows insurers to assess automobile premiums on a variable, per-mile basis rather than a fixed annual cost. Transitioning consumers to pay-as-you-drive policies could reduce statewide petroleum use by as much as eight percent, while saving most Californians money.

5. **Rideshare barriers –** Sharing a ride may sound like a simple solution, but there are many obstacles to widespread rideshare use. Approximately 69 percent of passenger vehicle seat-miles currently go unfilled. Filling just 10 percent of the excess capacity of private vehicles now operating in California could lead to an 18 percent reduction in motor vehicle fuel use.

6. **Infrastructure and cost barriers to alternative fuel vehicle adoption** – New federal, state, and local policies encourage the commercialization of e-vehicles and other alternative fuel vehicles. Strengthening these policies would greatly impact our oil use.

7. **Carshare barriers –** Carshare saves money and the hassles associated with car-ownership. State lawmakers have the opportunity to examine barriers to carshare businesses.

8. **Funding of public infrastructure improvements for new development –** Current financing mechanisms favor sprawl rather than urban infill and development of brownfields, creating and/or adding to long commutes.

Policies that govern how parking spaces are created and subsidized, how road space is allocated, how local governments fund infrastructure needed for infill development, and how automobile insurers charge premiums were found to be the most impactful in terms of driving petroleum demand in California. By addressing these policies, California could reduce future petroleum use by at least 25 percent.

“Although these disincentives to cut our oil use have a powerful impact on our consumption, there are state and federal incentives that are already encouraging some of the recommended changes we highlight,” said report author Juan Matute, who is also director of the UCLA Local Climate Initiative. “The state is now developing new incentives for rideshare and there are also policies driving the proliferation of alternative fuel vehicles.”

The report also investigates the following other policy areas, found to have a range of potential impacts on oil use:

9. **Lack of awareness and enforcement around parking cash-out programs –** California law has authorized parking cash-out programs, which provide commuters a payment in lieu of subsidized parking for nearly two decades. However, monitoring and enforcement have been spotty.

10. **High-occupancy vehicle lanes –** The state generally adds new HOV lanes via new construction, rather than converting existing lanes. However, construction causes additional congestion and delays implementation of HOV networks.

11. **Barriers to improving express bus service –** Allowing transit buses to use highway shoulders would lead to immediate efficiency benefits for express buses. This could prompt more reliable travel times and increased ridership.

12. **Aviation practices and procedures –** Current air traffic regulations and procedures require that airplanes descend and level off in increments. A continuous descent reduces fuel consumption.

13. **Deductibility of home mortgage interest and state and local property taxes from taxable income –** The home mortgage deduction may contribute to larger lot size, larger houses and sprawl, thus contributing to more driving and longer commutes.

14. **Location of state enterprise zones –** When established far from city centers, these zones encourage longer employee commutes.

15. **Barriers to entry for informal transit service –** California law requires informal transit operators to be licensed, creating a barrier to entry for informal and less-expensive services, like unregistered taxis and vans.

“Some of the measures highlighted, such as allowing buses to use highway shoulders, could be implemented without significant fiscal requirements, commitments or trade-offs,” said report author Stephanie Pincetl adjunct professor and director of the California Center for Sustainable Communities at UCLA. “Implementing these particular policies would be a win economically and environmentally.”

About Next 10

Next 10 is an independent, nonpartisan organization that educates, engages and empowers Californians to improve the state's future. With a focus on the intersection between the economy, the environment, and quality of life, Next 10 employs research from leading experts on complex state issues and creates a portfolio of nonpartisan educational materials to foster a deeper understanding of the critical issues affecting our state.

About the Authors

A lecturer in environmental science at UCLA, ***Juan Matute*** *researches performance measurement in transportation and land-use systems and non-linear change in dynamic, complex urban systems. Matute* served as co-chair of ICLEI's Transportation Technical Advisory Committee for its Community-scale GHG Inventory Guidance and on a technical advisory panel and technical working groups for the Southern California Association of Government's Climate & Economic Development Project.

Stephanie Pincetl *is adjunct professor and director of the California Center for Sustainable Communities at UCLA. She is the author of Transforming California: the Political History of Land Use in the State. Dr. Pincetl is also the Faculty Director of the Los Angeles Regional Collaborative for Climate Action and Sustainability (LARC).*