



# AB 32 Implementation Group



Working Toward Greenhouse Gas Emission Reductions  
And Enhancing California's Competitiveness

For Immediate Release  
September 17, 2008

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## **Fiscal Analysis for AB 32 Ignores Near Term Costs**

Long-awaited projection fails to provide objective, accurate picture of multi-billion dollar hit to California's economy in the early years of implementation

Sacramento -- California's business community today expressed disappointment and renewed concern after getting a look at the long-awaited economic analysis of the state's Air Resources Board's (CARB) AB 32 Draft Scoping Plan, and called for a multi-phased approach to implementing the landmark global warming emissions reduction legislation.

"This analysis is long on wishful thinking but short on economic reality," said Dorothy Rothrock of the California Manufacturers Technology Association, and co-chair of the AB 32 Implementation Group, a 160+ member coalition dedicated to cost-effective execution of the nation's most sweeping climate change law.

"There is no evaluation of the real-time costs that California businesses and consumers will pay up front," Rothrock continued. Rothrock observed that the analysis based its conclusions on costs and benefits over the plan's 10-year time frame, without providing a year-by-year cash flow projection.

The AB 32 IG has suggested that CARB consider a well-researched, phased-in approach to carbon reduction, allowing time for sector-specific analysis and planning in the near, mid and long term in order to keep costs under control and set the best possible course for success.

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“Government can get away with deficit spending, but in the real world families and businesses have to pay their bills every month or there are severe consequences,” said AB 32 IG Executive Director Shelly Sullivan. “We are looking at billions in increased electricity, natural gas, gasoline and fuel prices; billions in new carbon fees and water fees; higher building costs, rents and mortgages; and other new taxes and fees. “CARB assumes we can afford to pay for all this and wait for savings 12 years from now.”

The AB 32 Implementation Group also notes that the analysis does not factor in costs that will arise from local and regional government’s global warming reduction plans, as well as existing or future state climate change programs that are likely to duplicate or conflict with AB 32 policies.

“These figures don’t take into account existing or pending programs such as the Bay Area’s Greenhouse Gas fee, proposed state sales and gasoline tax increases and vehicle registration fees, pay-at-the-pump auto insurance and other expensive initiatives that will cost consumers billions on top of AB 32 policies,” continued Rothrock. “And all this is on top of the cost of other environmental regulations that are the most stringent in the country.”

Sullivan expressed dismay that the plan relies on fees, taxes and technology mandates rather than market-based policies such as cap-and-trade that would provide flexibility for businesses in meeting AB 32’s emission reductions goals. “CARB acknowledges the money-saving features of market mechanisms but doesn’t use them to the fullest extent possible.”

“Market-based policies account for only 20% of the plan,” said Rothrock. “Fully 80% is comprised of traditional, rigid regulations, virtually guaranteeing Californians will pay too much for every ounce of carbon reduction.”

Rothrock observed that since other states and countries will not be immediately burdened with global warming reduction expenses like the billions that AB 32 will impose on California, the most likely result is that jobs will leave the state as businesses choose more affordable locations in order to survive in the competitive global economy.

“It’s ironic,” Rothrock said. “California manufacturing and industry is already the cleanest in the world because of our strict environmental regulations. Yet an expensive AB 32 plan could cause a net global increase in greenhouse gas emissions due to business being driven out of California and growing in states or countries with more reasonable climate change laws.”

“The authors of AB 32 believe we can achieve its goals without raising costs on California families and pushing manufacturing and other businesses out of the state,” concluded Sullivan. “We need a market-based plan based on an honest economic analysis to make their vision a reality.”

CARB staff is scheduled to release a final version of the scoping plan on October 3, for adoption by the Board later this year. Copies of the scoping plan and economic analysis are available at [www.arb.ca.gov/cc/cc.htm](http://www.arb.ca.gov/cc/cc.htm).

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*The AB32 Implementation Group is a statewide coalition of more than 160 businesses and organizations that aims to be a constructive voice helping the state reach its greenhouse gas emission goals while also allowing the California economy to remain strong, growing and competitive.*

*Members of the coalition include the California Chamber of Commerce, California Taxpayers’ Association, California League of Food Processors, California Forestry Association, California Grocers Association, California Hispanic Chambers of Commerce, California Manufacturers and Technology Association, California Small Business Alliance, California Trucking Association, and California Metals Coalition.*