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State's Rosy Analysis of AB 32 Is a Danger to Its Success

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California's first-in-the-nation program to fight global warming was always expected to cost billions of dollars, demand technological advances and require dramatic changes in our behavior. That was tough enough.

But today one can say the biggest threat to the success of AB 32 (Global Warming Solutions Act) is the state's own refusal to provide thoughtful, realistic and informative analyses of the economic impacts of what is being proposed and what alternatives there could be.

The California Air Resources Board (CARB) is preparing to adopt the final plan at its December Board meeting.

CARB's economic study uses estimated energy efficiency savings projected for the longer-term and averages them backwards to offset those billions in up-front costs businesses will face.

The report ignores the expensive and difficult chore of getting AB 32 off the ground and simply says the entire effort will be a net profit for the state by 2020.

Businesses that support the goals of AB 32 – and who will be forced to pay the immediate costs of the program – are demanding a more realistic assessment including what those near and mid-term costs will be.

Using CARB's own economic calculations, with the goal of reducing greenhouse gas emissions by 30% by 2020, the state's current plan will hit businesses hard in the following areas:

To pay for cleaner production of electricity CARB says rates will increase by 11% each year. Natural gas rates will jump 8% annually.

A new gasoline standard that lowers carbon emissions will bring \$11 billion in higher prices at the pump.

The plan calls for \$4 billion in new carbon fees and \$500 million in new water fees to be assessed to businesses and individual ratepayers each year. These are CARB's current cost speculations for businesses and consumers, and they could be even higher. So for CARB to suggest the long-term savings benefits outweigh current capital outlay, is incongruous.

The Los Angeles Department of Water and Power said the program the state favors will cost it \$700 million in fines each year.

Employers must pass these costs on to consumers or the businesses – and the jobs and benefits they provide to California workers -- simply will cease to exist. The truth is there is a way to reach the goals of AB 32 by using tools that will keep costs lower for businesses and consumers.

As currently proposed, the program gives a minimal role to a market-based trading system that would ensure overall emission reduction goals are met but would give businesses some flexibility as they work to meet these new requirements.

A market-based cap-and-trade system should be given a large role in meeting AB 32's goals. It has proven effective around the world and is recognized as the least costly way to move forward. Similarly, businesses should be allowed to buy offsets to help meet goals.

CARB must provide us with alternatives to the one plan under consideration along with economic modeling that allows decision makers to choose the most cost-effective path and gives businesses and consumers and honest appraisal of what to expect.

These models must be based on sound science and good estimates of real costs to businesses immediately and down the road.

Without taking these steps, CARB will be implementing a hugely expensive and difficult program without having leveled with Californians about what it will cost each of us to comply with AB 32.

Considering the already perilous economic situation, this is a recipe for a public policy and financial disaster.

Giving AB 32 a public relations gloss-over as the current economic analyses does will undermine the program's success.

Only with an honest, all cards on the table process can we decide on the best way to move forward and make it clear to businesses and consumers that the most cost-effective approach has been adopted.