

Tuesday, January 26, 2010

Sacramento in denial

Even Congress figures out green regulation's downside

The U.S. Labor Department report last week on December unemployment included still more grim news for California. The state had the nation's biggest losses, with a net decline of 38,800 positions. Yet its unemployment rate stayed steady at 12.4 percent for a perverse reason: 106,000 state residents gave up looking for work.

Contemplating the depth of the recession, California's most popular politician last week had the common sense to change her mind on a related big issue: how to regulate the emissions believed to cause global warming.

A proposed federal law would set limits on these emissions and charge the polluters who produce them. The companies would be allowed to buy and sell their pollution rations. Supporters say "cap-and-trade" would create market incentives to reduce pollution. Critics say it would be a job-killing, bureaucratic disaster.

Last week, Sen. Dianne Feinstein said now is not the right time to find out. Instead, the San Francisco Democrat said lawmakers should focus on jobs, homeownership and other basic issues – not on new energy regulations.

This view is shared by many moderate Democrats in Congress. Lawmakers of both parties – echoing Energy Secretary Steven Chu – note that cap-and-trade would only make sense for the U.S. economy if other polluting nations adopted similar policies and thus had similar energy costs. Otherwise, the United States would have a huge competitive disadvantage.

Washington's willingness to have a substantive debate on the economic effects of environmental regulation stands in stark contrast with Sacramento's attitude. Republicans and business groups may be talking about the need to suspend AB 32, the 2006 law phasing in California's version of "cap-and-trade," on economic grounds. But Gov. Arnold Schwarzenegger and Democratic legislative leaders want to squelch any debate on the topic.

This is even though the governor demanded a provision in AB 32 allowing the law to be suspended in times of economic hardship. This demand acknowledged that a forced shift to cleaner-but-costlier energy could have a downside.

Yet now Schwarzenegger claims that costlier energy will somehow help the economy and create a tidal wave of new green jobs – even as contrary evidence accumulates. A state report warns big utilities such as San Diego Gas & Electric will have to spend up to 59 percent more per kilowatt-hour by 2020. A University of California official pleads with the state air board for relief from AB 32's costly provisions. The California Business Roundtable warns the law could kill 1.1 million jobs.

And from low-cost, business-friendly Georgia comes this report: "A Silicon Valley-based company that makes low-cost, high-efficiency solar modules is planning a manufacturing plant in metro Atlanta that could employ up to 1,000."

California may lead the way in green innovation, as Schwarzenegger predicts. But that doesn't mean the bulk of the jobs this innovation creates will be here. It's time state leaders figured this out – and stopped pretending their aggressive environmental agenda is helping California's economy.