

# Lobbyists heat up over climate law

**Rick Daysog, Sacramento Bee, 7-12-10**

The Global Warming Solutions Act of 2006 is beginning to look like a stimulus package for the lobbying trade.

During the past year, oil companies, manufacturers and trade groups have made a big push to shape the rules and regulations behind California's landmark greenhouse gas reduction law, The Bee has found in a review of lobbying disclosure statements filed with the California secretary of state's office.

Environmental groups, clean-energy advocates and utility companies also have weighed in heavily, although some green lobbyists said they felt outgunned by the money and technical expertise available to oil companies.

The regulatory give-and-take offers a glimpse into the amount of money that could wind up flowing into the November ballot initiative to roll back the global warming law, AB 32.

"California is a very important focal point for the U.S. for climate change action for the coming year, so it's no surprise that the interests are lining up and a real political battle seems to be emerging," said Daniel Esty, director of Yale University's Center for Business and Environment and a campaign adviser to President Barack Obama on energy and environmental issues.

Signed by Gov. Arnold Schwarzenegger in 2006, AB 32 aims to reduce greenhouse gas emissions statewide to 1990 levels by the end of the decade.

Oil refiners, manufacturers and others who will have to cut back emissions say the law will cost the state more than 1 million jobs and result in tens of billions of dollars in lost productivity.

But the law also brings potential benefits for green tech companies, alternative fuels producers, carbon traders and even utilities.

Much of the recent public debate over AB 32 has focused on the efforts of a coalition largely funded by Texas oil interests and California manufacturers to roll back the law.

Tesoro Corp. of San Antonio and Valero Energy Corp. have contributed more than \$1.5 million to the campaign for Proposition 23, which calls for suspension of AB 32 until the statewide unemployment rate, now at 12.4 percent, drops to 5.5 percent or lower for four consecutive quarters.

Petroleum giants such as Chevron Corp., BP America, Exxon Mobil Corp. and Shell Oil have generally stayed away from the Proposition 23 campaign. But that doesn't mean they're sitting on the sidelines.

Those companies are playing a less public – though some say equally important – role in shaping California's No. 1 climate change law.

AB 32 leaves it up to state agencies such as the California Air Resources Board, the California Energy Commission and California's Environmental Protection Agency to craft the regulations to achieve the AB 32 goals. The final language for those regulations could help determine AB 32's effectiveness in combating greenhouse gases – and cost oil companies and manufacturers millions of dollars.

According to state records, more than two dozen companies, trade organizations and environmental groups have been lobbying the agencies charged with creating the rules.

For instance, the Sacramento Municipal Utility District and geothermal energy producer Calpine Corp., which support the law, said they're taking part in the rule-making process and monitoring the impact.

Oil companies also are making their voices heard. Chevron, BP and Exxon have courted Gov. Arnold Schwarzenegger's office and the Air Resources Board, state records show.

The companies' disclosures don't spell out how much they spent specifically on AB 32 lobbying. But records suggest that the climate change law represents a big chunk of the \$11 million that 10 oil companies and petroleum trade groups spent on lobbying in California over the past 18 months.

The Sierra Club, the American Lung Association and the Environmental Defense Action Fund also are players, but they have been outspent by business. For the past 18 months, the lobbying budget for the four primary environmental and health groups engaged in the AB 32 debate was \$735,000.

Catherine Reheis-Boyd, president of the Western States Petroleum Association, said the climate change law is complex and touches on an array of issues, such as air quality, the carbon content of fuel and the development of alternative fuels. Getting the right rules in place is a high priority, she said.

Some of the main rules that are being considered to carry out AB 32 could have a significant effect on oil companies. The low-carbon fuel standard under discussion, for instance, would require a steady reduction in the carbon content of fuel sold in California. In other words, it would reduce the use of oil and increase the use of alternative fuels.

"I'm not going to say we love this thing, but if that's the way the state wants to go ... we want to make sure that we write regulations that we can comply with and are feasible to do," said Reheis-Boyd.

BP, which didn't take a position on AB 32 when it was passed by the Legislature four years ago, said it's looking to ensure that the process results in real reductions that are affordable for the industry.

Ralph Moran, BP's West Coast director for climate change issues, said the company's effort has focused on a key component of AB 32, the cap-and-trade market for carbon emission allowances. Such a market would assign emission allowances to refiners, utilities and other companies, and put a ceiling on the volume of carbon companies emit.

Under the plan, companies that cause less pollution can sell their unused allowances to heavier polluters, creating incentives to lower emissions voluntarily.

"We really have been focused on trying to improve the regulation," Moran said.

Bill Magavern, California director for the Sierra Club, has a different view. He said the oil companies have been effective in weakening the cap-and-trade rules. Drafts of the rules got weaker as time progressed, said Magavern, who maintains the allowances should be auctioned off rather than given to existing polluters.

In March, Schwarzenegger urged the Air Resources Board to give away the emission allowances initially and phase in an auction after the economy rebounds.

"When you go to the workshops for AB 32, you'll see one lawyer or another, an economist or engineer that's working for the oil companies," said Magavern. "They have a lot of experts on the payroll."