

Voters overwhelmingly reject Proposition 23

Rick Daysog, Sacramento Bee, 11-3-10

California voters overwhelmingly rejected a controversial measure to roll back the state's landmark climate-change law, sending a strong pro-environment message at a time of deep economic weakness.

With about 40 percent of the votes counted late Tuesday, state residents were voting by a margin of more than 19 percentage points to defeat Proposition 23, which would have suspended the state's 4-year-old greenhouse gas-reduction law, a cornerstone of outgoing Gov. Arnold Schwarzenegger's political legacy.

"This is huge because it's the largest public referendum in history on climate and clean energy policy," said Fred Krupp, president of the Environmental Defense Fund.

"Millions of voters said they see clean-energy jobs as the path forward through a tough economic climate."

Anita Mangels, spokeswoman for the Yes on 23 committee, attributed the proposition's defeat to "billionaire hedge fund managers," who outspent the committee 3-to-1.

Proposition 23 would have suspended the state's law until the statewide unemployment rate dropped to 5.5 percent for four consecutive quarters from the current 12.4 percent.

The state climate-change law, also known as the Global Warming Solutions Act of 2006 or AB 32, seeks to reduce greenhouse gas emissions to 1990 levels by 2020.

The defeat of the voter initiative breathes new life to the national debate over climate-change legislation and could re-energize other states' efforts to tackle the problem of global warming.

Earlier this year, Congress failed to pass a national cap-and-trade law that would have placed a ceiling on the amount of carbon emissions by refiners and energy companies.

"This reverberates nationally," said Daniel Sperling, the founding director of the Institute of Transportation Studies at the University of California, Davis, and a director of the California Air Resources Board.

"The message here is that there is strong interest in climate policy."

From the outset, the fight over Proposition 23 was largely described as a "David vs. Goliath" battle, with Big Oil playing the role of the villain.

But Proposition 23's opponents wound up outspending the Texas oil companies that were the initiative's main backers. The "no" campaign attracted a broader, bipartisan mix of California industries and deep-pocketed individuals to combat the rollback initiative.

They included environmentalists, high-tech entrepreneurs, utility companies, Hollywood celebrities and Schwarzenegger.

The No on 23 committee was co-chaired by George Schultz, who served as secretary of state under Republican

President Ronald Reagan, and Democrat hedge fund manager Tom Steyer, who donated \$5 million to the campaign.

Schwarzenegger, who held fundraisers and rallies around the state, was one of the initiative's most outspoken critics, calling it an effort by "greedy Texas oil companies" to undermine California's environmental laws and its growing clean-tech industry.

Schwarzenegger even made a video with James Cameron, who directed him in the "Terminator" movies and "True Lies."

According to filings with the California secretary of the state, Proposition 23's opponents raised more than \$31 million during the past year, three times the amount raised by the Yes on 23 campaign.

Big donors included Cameron, who gave \$1 million; the National Wildlife Foundation, which contributed \$3 million; Microsoft Corp. co-founder Bill Gates, who donated \$700,000; Google Inc. executives and their spouses, who chipped in \$750,000; and venture capitalist Vinod Khosla, who contributed \$1 million.

"In the midst of a major economic downturn, and with a barrage of fearmongering and scare tactics, voters still said they want a clean-energy future," Steyer said.

The Yes on 23 committee's fundraising was largely dominated by oil interests. More than 92 percent of \$10.6 million raised by the committee came from petroleum and energy companies.

Two out-of-state refiners – Valero Energy Corp. and Tesoro Corp. – contributed more than \$7 million to the effort.

Valero said its support for Proposition 23 was driven by financial considerations. The company has said its costs for complying with AB 32 will be about \$177 million a year initially before soaring to about \$500 million a year after 2020 when the law is fully implemented.

In a conference call with analysts last week, company CEO Bill Klesse said much of those costs will be passed on to consumers. Costs that can't be passed on will drive some companies out of business or will make it difficult for them to compete with foreign refiners, he said.

"If we fail to win Prop. 23, the cost to the consumer in California is clearly going to go up," Klesse said.

"And I guess we'll get the opportunity down the road to say we told you so."