

Green tech, AB 32 a major economic driver for state

Malcolm Maclachlan, Capitol Weekly, 10-7-10

Green technology is a major driver of economic development in California, according to a new study by Next 10, a non-partisan research organization created by Silicon Valley venture capitalist F. Noel Perry. The new study, called the 2010 Green Innovation Index, also found that the AB 32 global warming law is a major component of that economic engine.

While Next 10 has taken no official position on Proposition 23, the November initiative that would suspend AB 32, the study is critical of most of the economic arguments that proponents have made in favor of the ballot measure.

The Yes on 23 campaign, meanwhile, said that green tech investment is largely related to other laws besides AB 32, and that AB 32 itself has not been a major driver of jobs.

“We certainly understand that the green economy is not going to create two million jobs tomorrow and solve all the problems with the economy,” said Perry, who supports AB 32. “But it is a foundation for the future.”

This is Next 10’s third Green Innovation Index. Among the major findings were that California has attracted \$11.6 billion in clean-tech venture capital since 2006, nearly a quarter of the world total. This trend appears to be accelerating, with the state attracting 40 percent of the world total in the first six months of this year. Among U.S. states, California has been No. 1 and 2 every year from 2007 through 2009, while New York remains a distant second.

The combination of this investment with some of the state’s efficiency laws has given a new boost to the economy, according to the report.

Between 2002 and 2007, manufacturing efficiency jumped 13 percent in California, and dropped 10 percent in the rest of the nation. The amount of carbon that emitted to create a dollar of value in California dropped by nearly a third between 1990 and 2008.

In fact, California gets about two-thirds more economic development from every ton of carbon it uses than the rest of the country, according to Doug Henton of Collaborative Economics, the lead author on the report. This is not just related to AB 32, he noted, but three decades of leading the nation in environmental legislation, and sets the state up well for a more carbon-restricted and cost-constrained future.

“Because we are higher in energy productivity, it frees up resources for other parts of the economy,” Henton said.

In fact, he said, even though electricity rates and other energy expenses tend to be higher in California than in other states, actual power bills often end up being lower because of all of the work put into efficiency. This, Henton added, is rarely taken into account by those who claim the costs of doing business are higher in California. He also said that between 1995 and 2008, California has gained a net of 58,000 companies.

“More companies are actually starting in California than are leaving or closing,” Henton said.

Proposition 23 spokeswoman Anita Mengels acknowledged that clean technology can be an economic driver for

the state. But she added that this is not proof that AB 32 isn't costing the state in terms of development and jobs. The huge amount of green tech investment, she said, is largely the result of other, older laws.

"Ironically, that has not translated into jobs," Mengels said. "During that same period [since 2006], we've lost 1.4 million jobs in California."

These losses, course, are related to an overall down economy, not just environmental regulations. But Mengels said that while lots of research and development money has poured into California, largely influenced by the state's existing strength in high tech, the manufacturing itself was gone to "China, other countries and other states."

Even if you accept claims that half a million green tech jobs have been created in the state since 1995, few of those have been since 2006, when AB 32 was signed into law, Mengels said. In fact, she said, much of the implementation of AB 32 is still underway and it's hard to pin economic development numbers on the law.

Mengels acknowledged that some of the members of the California Jobs Initiative, as the Prop. 23 committee is known, have opposed some of these same environmental laws in the past. A pair of Texas-based oil companies, Valero and Tesoro, have combined to give \$5.6 million to Prop. 23, and have frequently lobbied against environmental laws in the state.

But she said that an AB 32 suspension would not result in the all-out suspension of the state's environmental laws, as some have claimed.

According to a report from the Legislative Analyst's Office, the Legislature's nonpartisan fiscal adviser, the passage of Prop. 23 would have little effect on the state's energy efficiency requirements, vehicle emissions standards or solar roofs project. It would, however, likely result in the suspension of efforts around a low-carbon fuel standard, potential cap-and-trade regulations and the 33 percent renewable energy standard by 2020.