State releases landmark global warming rules

Paul Rogers, Bay Area News Group, 10-29-10

About 600 of California's major polluters -- from oil refineries to power plants and factories -- will face mandatory limits on the amount of greenhouse gases they emit, starting Jan. 1, 2012, under rules released Friday by state air regulators.

The facilities will be able to trade pollution credits under a new "cap and trade" market, and will be allowed to use projects that offset global warming, such as tree planting, to cover up to 8 percent of their emissions limits.

The new rules are part of AB 32, the landmark law signed by Gov. Arnold Schwarzenegger in 2006 and now at the center of a bruising ballot fight in Tuesday's election. The law requires that California's greenhouse gas emissions be cut to 1990 levels by 2020, a drop of about 15 percent from current levels.

"Everything is designed to reward efficiency and clean energy," said Stanley Young, a spokesman for the California Air Resources Board, which wrote the rules. "This sends a signal that clean energy pays off, and that's where we want to be."

The air board -- an eleven-member body appointed by the governor -- is scheduled to vote on the rules Dec. 16. If it approves them, as expected, California will become the first state in the nation with mandatory limits on emissions from a wide variety of industries that most climate scientists say are contributing to global warming through the burning of fossil fuels like natural gas, coal and oil.

Similar rules already are in place for 10 New England and East Coast states, but they only affect emissions from power plants.

Schwarzenegger has made global warming reduction efforts a centerpiece of his term in office.

Opponents of the law say it will cost the state jobs and have little effect on worldwide emissions of greenhouse gases. Supporters say it will create jobs by boosting the state's renewable energy and green technology industries, and will set an example for other states and Congress.

To meet the goals of AB 32, the air board and the Legislature have put in place a variety of programs and regulations.

The cap-and-trade program released Friday would account for as much as 20 percent of the greenhouse gas reductions. The other 80 percent would come from new energy efficiency standards on appliances and new building construction; a low-carbon fuel standard on gasoline; an existing state law requiring utilities to produce 33 percent of their electricity from renewable sources by 2020; new fuel economy standards on cars that fully take effect in 2016; and other measures.

"This is a really important step," said Kristin Eberhard, an attorney with the Natural Resources Defense Council, an environmental group. "California has always been out in front on environmental and energy issues. This is one more time where we are leading the way."

Industry officials said Friday they are still reading through the 1,000 pages of draft regulations but are pleased the cap-and-trade program will allow some offsets through programs like planting trees, and that 90 percent of

the pollution allowances will be given away by the state, rather than all auctioned, as some environmentalists had wanted.

"This is perhaps the most far-reaching regulatory policy ever attempted in our state history," said Shelly Sullivan, a spokeswoman for a coalition of more than 200 businesses known as the AB 32 Implementation Group.

"We believe it is going to impose new costs on virtually every product and service used by Californians. One of our main concerns is that we are able to keep costs low for consumers and provide regulatory certainty for business."

In a conference call on Tuesday with analysts, Kimberly Bowers, executive vice president and general counsel of Valero Oil, said that the AB 32 rules could cost Valero $120 million a year.

"I guess we'll get the opportunity down the road to say, 'We told you so,' " said William Klesse, CEO of Valero. "It will all be passed through to the consumer."

The air resources board has said that the new rules could increase the price of gas by roughly 20 cents a gallon by 2020, although that cost will be offset by new federal gas mileage rules in 2016 requiring new car fleets to get 35 mpg instead of the current 25 mpg.

Looming large is Proposition 23, a ballot measure that would suspend AB32 until state unemployment falls below 5.5 percent for a year. That measure, funded by Valero and other oil companies, trailed in recent polls.