

State unveils new rule for battling climate change

Wyatt Buchanan, San Francisco Chronicle, 10-30-10

SACRAMENTO -- The most controversial piece of California's efforts to battle climate change, a cap-and-trade program for large polluters, was unveiled Friday by the California Air Resources Board just days before the state's voters will decide whether to put the entire effort on hold.

The proposed cap-and-trade regulation, which is more than 3,000 pages long, would take effect beginning in 2012 and eliminate 273 million metric tons of carbon dioxide from the air by 2020, largely by forcing the state's biggest polluters to cut their emissions or pay for excessive emissions. It is a major piece of AB32, the climate change law that will be suspended if Proposition 23 passes on election day.

The draft regulation calls for easing businesses into a cap-and-trade program instead of instituting an aggressive program at the start.

Mary Nichols, chairwoman of the air board, called the regulation a "crucial element" of the state's efforts to confront climate change, and said the bad economy is factored into the plan.

"We have worked closely with all interested parties and stakeholders to make sure that the program provides flexibility to reach our emissions reduction goals while taking into consideration the current economic climate and the need to fully protect California's economy," Nichols said in a statement.

AB32 mandates the state reach 1990 levels of greenhouse gas emissions by 2020 by strengthening, among other things, fuel standards, renewable-energy mandates and conservation.

Business response

A consortium of businesses that has monitored the development of the regulation and been critical of some of the board's past work applauded the air board for its approach.

Shelly Sullivan, executive director of the AB32 Implementation Group, said it "is pleased to see that the California Air Resources Board staff has developed a regulation ... that considers the current fiscal crisis and allows for a gradual approach in the early years."

She added, however, that the group has yet to examine the lengthy regulation fully and said that "the devil is always in the details."

A 45-day public comment period on the proposal begins Nov. 1, and the board will vote on the regulation at its December meeting.

The regulation will take effect in 2012 and apply to some of the state's largest emitters of carbon dioxide: the electricity industry and large industrial plants that manufacture glass, paper, concrete and other products. In 2015 it will expand to fuel distributors and in all covers 360 businesses that work out of 600 sites across the state.

In 2012, the number of metric tons of carbon dioxide emissions estimated for California will be capped at what is forecast to be emitted that year. Over the next three years, the cap will shrink by 2 percent per year. From 2015 to 2020, the cap will drop by 3 percent per year.

Trading credits

The other piece of the regulation is the trade portion, in which businesses pay for excessive emissions by buying "allowances" - or credits - if they are unable to reduce their levels. Any money generated from the electrical industry's purchase of credits must be used to benefit ratepayers while the Legislature will decide what to do with other proceeds. Each industrial sector - paper manufacturers, for example - will get free credits equal to about 90 percent of the overall average emissions for that sector. That means businesses in the sector that create less carbon dioxide emissions per product would have to seek fewer or perhaps no additional credits while less-efficient businesses would need more.

The allowances would be auctioned at no less than \$10 per metric ton, and businesses would be allowed to bank and to trade credits.

Environmental and scientific organizations said they were generally pleased with the program, though they said the amount of free credits should be monitored and perhaps reduced in the future.

National impacts

Erin Rogers, manager of the Western states climate and energy program for the Union of Concerned Scientists, said the state's efforts could have national impacts. A greenhouse gas reduction bill died in Congress due in part to the cap-and-trade proposal.

"I think this will show Congress that these kinds of programs can be implemented and have a lot of benefits ... and that is going to spur national action," Rogers said.

Critics of the effort point out that acting alone, California cannot significantly reduce greenhouse gas emissions, though Kristin Eberhard of the Natural Resources Defense Council said three Canadian provinces and the state of New Mexico might partner with California in 2012.

"California has always been out in front on environmental issues, and we're out in front again," she said.

But while the effort to create a cap-and-trade system takes this major step, the entire process could come to a halt, depending on the outcome of the election Tuesday. Prop. 23 would suspend AB32-related efforts until unemployment drops significantly. Republican gubernatorial candidate Meg Whitman, who opposes Prop. 23, nonetheless has said she would freeze AB32 work for at least a year to re-examine the regulations.