

# Calif. will launch emissions trades with at least one partner

Debra Kahn, Environment & Energy Publishing, 3-9-11

California's greenhouse gas trading program for industrial emitters could start with even fewer trading partners than expected, the state's air pollution chief said last week.

"I predict in January 2012 we will be starting a program and will have at least one other trading partner with whom we are fully linked by the time we start the program," California Air Resources Board Chairwoman Mary Nichols told an audience of business executives at *The Wall Street Journal's* ECO:nomics conference in Santa Barbara.

Observers expect as many as four other members of the seven-state, four-province Western Climate Initiative to issue allowances starting in 2012: British Columbia, Quebec, Ontario and possibly New Mexico.

New Mexico's fate is still up in the air, but some, including California, expect Gov. Susana Martinez (R) to prevail in her attempt to freeze the state's participation in WCI. The New Mexico Supreme Court in January ordered the state to publish its climate regulations, but Martinez is naming new environmental regulators to overturn the rules. Industry is pursuing various lines of attack in the state Legislature, courts and administration.

Nichols said she didn't know which potential partner would be most likely to join first. "I don't know; I just said that," she said.

Nichols also said that the state's climate program would have "undetectable" economic effects, in response to a question on how beneficial cap and trade and other emissions-reducing policies would be.

"Based on what we know today, the net effect of doing this A.B. 32, reducing your carbon levels to 1990 by 2020, will have an undetectable effect on the overall California economy," she said. "You can do this big, ambitious, scary program, and no one can detect an effect on the California economy as a whole with this macroeconomic model."

Nichols also signaled a change in policy under new Gov. Jerry Brown (D) to possibly favor smaller-scale, distributed generation over large, remote renewables installations that investor-owned utilities are using to meet the state's renewable portfolio standard.

"We are not pulling back in any way from the positions we're taking on plants that are already going through the process, but we're also realizing it's not enough, and you need more neighborhood-scale generation," she said. "To the extent there hasn't been much focus on that in the last couple years, there will need to be more focus on that."