California's AB 32 is a losing climate bet

Margo Thorning, Bay Area News Group, 4-8-10

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To say times are tough is an understatement. California families feel under siege, with an economy that stays down while housing prices do the same.

So it's entirely reasonable that California's leaders, including those vying for the state's top executive job in November, are reconsidering the economically unsound AB 32, which is a toxic mix of command-and-control efforts to forcibly limit carbon emissions and pseudo-market functions such as a troubled cap-and-trade scheme.

A federal cap-and-trade proposal from California's own Rep. Henry Waxman, D-Los Angeles, would have been disastrous for the nation and more particularly the Golden State. The American Council for Capital Formation studied the impact, which would reduce the gross state product by as much as $70 billion per year by 2030. The report also found that California's 13,652 schools and universities and 473 hospitals will likely experience an 18.1 percent to 27.9 percent increase in energy expenditures by 2030. The bottom line: For government entities, costs for services, including public transportation and vehicle fleets, such as school buses, would also have gone up.

Here's the truly shocking piece to keep in mind: The current California plan would actually be worse for the state's residents. That's because a federal plan would have to a large extent spread the pain over multiple states, while a go-it-alone law by California would mean that all that misery would have no company.

Wise officials would take note that Arizona has already bailed out of a regional plan to restrict greenhouse gases because of its imposition on the economy.

Wise officials should also take note that the public isn't happy.

Last year, a poll from EMC Research found that many voters had not heard of AB 32's details but were not happy upon being further educated. Two-thirds of voters said they would be more likely to support AB 32 if it placed more weight on market-based programs. Meanwhile, more than six in 10 said they would prefer the regulations to be phased in over time to reduce costs to consumers and help the state's businesses remain competitive.

Today, the picture is even more stark. Gallup reported recently that the issue ranked last among environmental concerns and, more important, "For only the second time in more than two decades and the second straight year, Americans are more likely to say economic growth should take precedence over environmental protection when the two objectives conflict (53 percent) than to say the reverse (38 percent)."

As critics have warned for years, a major stumbling block to the greenhouse gas emissions reduction targets is the projected increases in California's population and emissions. A projected population increase to 44 million in 2020 will mean more energy use for home heating and cooling, job growth and transportation. At the same time, the bill would require a reduction of greenhouse gases of 41 percent over projected needs.

Policy makers should focus on ways to improve California's economy and its environment, including improving the tax treatment of new investment through faster depreciation and investment tax credits, which could reduce growth of greenhouse gas emissions as well as enhance productivity growth.

Most importantly, California lawmakers need to rethink their costly and risky go-it-alone strategy. They should continue to support measures such as the Asia-Pacific Partnership, an agreement with developing countries to promote economic development and the spread of clean, lower-emitting energy technology.

We are all in this together. Our policies ought to reflect that, and a good start is to rationally rethink a costly law that will do little for the environment and much for California's competitors.