

California Unveils Final Version of Climate-Change Regulations

By Adam Satariano

California released final details of its global warming law, regulations that if approved will touch almost every corner of the state's \$1.8 trillion economy.

The plan unveiled today by the California Air Resources Board uses a mix of direct regulations and market incentives to reduce gases blamed for global warming to 1990 levels by 2020. A final vote is expected in December for the rules that will be implemented starting in 2012.

California Governor Arnold Schwarzenegger has touted the global-warming law he signed almost two years ago as a road map for moving the most populous U.S. state to a new low-carbon economy. Utilities, automakers, factories and fuel refiners are among the industries to be affected by the regulatory shift.

"Our comprehensive approach steers California away from its dependence on fossil fuels and accelerates the state's necessary transition toward a clean-energy future," Mary Nichols, chairwoman of the Air Resources Board, said in a statement.

California, the world's 15th largest emitter of greenhouse gases blamed for warming weather, is the first government to take an economy-wide approach to addressing climate change instead of focusing only on stationary pollution sources such as power plants. Ten Northeastern states last month started the first U.S. climate change program in which power plants are required to buy allowances for each ton of carbon dioxide they release.

About 38 percent of California's emissions come from transportation, 23 percent from electricity generation and 20 percent from industrial sources, with the remainder a mix that includes agriculture and waste disposal.

Renewable Sources

To address transportation, the regulations call for reducing greenhouse-gas emissions from vehicles and the carbon content of fuel. For electricity, the plan outlines stricter efficiency standards for buildings and appliances while expanding to 33 percent the amount of power utilities must provide from renewable sources such as wind and solar energy by 2020. The state now gets about 12 percent of its electricity from renewable sources.

The plan also outlines a new emissions-trading system, steps to reduce population sprawl and new labor-training programs to move workers toward "green-collar jobs."

"Doing this for the climate also means doing it for the economy," said Margaret Bruce, Western regional director for the London-based Climate Group, an organization that favors government intervention to address global warming. "This says we are hitching ourselves to something other than hydrocarbons."

Critics have said the law, known as AB-32, could put California businesses at a disadvantage against states with no climate-change regulations.

Global Slowdown

"It's important for California to reach the goals of AB-32 but in light of today's economy -- now more than ever -- we need to make sure the Air Resources Board implements a program that will keep costs low for California consumers and businesses," said Shelly Sullivan, executive director of a coalition of business groups seeking market-based approaches to reducing emissions.

The final details released today come as the global economic slowdown has raised concerns about addressing climate change. German deputy environmental minister Astrid Klug said this week that the credit crisis that's pushing the world economy toward recession is a "major threat" to creating an international agreement to replace the expiring Kyoto protocol.

In an effort to build momentum for the next round of international talks in December in Poland, Schwarzenegger is hosting a climate-change conference next month in California with the aim of prodding world governments to reach an agreement.

'Green Technology'

"It is more important than ever that we secure our state's long-term competitiveness and green technology is the future," Schwarzenegger said last week. "We are all going through tough economic times and this is exactly why I am talking about investing in clean, green technology."

An economic analysis by the Air Resources Board determined the new regulations would, by 2020, be positive for the state economy, increasing economic production by \$33 billion and adding 100,000 new jobs.

Under the plan, about 80 percent of the reductions will come from direct regulations. The remaining reductions will come through a pollution-credit trading system that California has been creating with six fellow Western states and four Canadian provinces called the Western Climate Initiative.

In general, under a cap-and-trade system a government allocates a certain number of emissions credits to polluters. Over time, the number of credits allowed in the system is reduced to bring down emissions.

Final details for the emissions-trading system won't be ready until later, the agency said. The regulators are planning a new round of hearings to determine the best way to structure the program, particularly how to allocate the pollution credits and how to account for investments in emission-reduction projects outside the state.