

Thursday, November 27, 2008

LAO to the rescue

It shreds claims climate policy will spur boom

For more than two years, Gov. Arnold Schwarzenegger, leading California Democrats and environmentalists have insisted that AB 32 – a 2006 law requiring California businesses and residents to use cleaner but far more costly sources of energy by 2020 – would actually prove to be an economic bonanza. They asserted it would position the state to lead the world in green technology and reduce societal costs stemming from air pollution.

This claim falls apart under the slightest inspection. Sure, some well-positioned industries might thrive. But how could sharply increasing the operating costs of most businesses and reducing the disposable income of most individuals help the overall economy? Despite its illogic, Schwarzenegger's argument has largely gone unchallenged.

Thankfully, that is no longer the case. Last week, the nonpartisan Legislative Analyst's Office released a study of the California Air Resources Board's "scoping plan" for implementing AB 32 and related measures. In low-key fashion, the study demolished the happy talk of the governor and his allies.

The LAO said the air board's report showing the "purported net economic benefit" of emission-reduction laws used "inconsistent and incomplete" methodology in which researchers ignored or downplayed evidence that countered the economic bonanza thesis.

Here's the most egregious example: Any measure that reduced a company's greenhouse gases in any way was deemed "cost-effective." By this standard, it's cost-effective for a company to go out of business.

We asked the governor's staff to respond. What we got was a boilerplate statement repeating Schwarzenegger's happy talk and ignoring the LAO's conclusions.

This is unacceptable. In the governor's own words, the LAO has an "impeccable reputation" and has set a "high standard" with its analysis of state issues. When the LAO raises profound questions about the wisdom of a major state policy, state leaders are obligated to take these questions seriously.

We have no doubt Schwarzenegger sincerely believes that it is essential for California, the nation and the world to tackle global warming. But the rhetoric the governor employs to push his cause is devoid of candor.

This was underscored by recent news reports about the European Union, China and India – three of America's biggest trade rivals. All are rethinking recent commitments to cleaner fuels because of the likelihood that the added cost could make it more difficult for their already-reeling economics to rebound. In Europe and Asia, you see, there is a matter-of-fact acceptance that a shift toward cleaner energy has a downside.

The contrast with Schwarzenegger's pretend world could not be more striking. Perhaps we can import some honesty from Beijing, New Delhi or Brussels. On climate change, there's little to be found in Sacramento.