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# AB 32 Implementation Group

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Working Toward Greenhouse Gas Emission Reductions  
And Enhancing California's Competitiveness

TO: Business Editor

FROM: Shelly Sullivan

DATE: December 15, 2009

RE: **CARB Report Recommends Transition Assistance Program  
Needed for Workers Displaced by AB 32 Policies**

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Governor Schwarzenegger and the California Air Resources Board (CARB) have long promoted the benefits of California's Global Warming Solution Act (AB 32) for job creation and economic stimulus.

If this is true, why then does CARB's Economic and Allocation Advisory Committee (EAAC) recommend that a worker transition assistance program be created for workers who lose their jobs due to the AB 32 greenhouse gas reduction program? The report specifically states:

***"California businesses are not the only ones concerned about possible impacts of AB 32. Employees also worry their firms will shrink or close down their California operations to reduce or avoid these impacts.<sup>1</sup>"***

CARB's own November 2009 'Mandatory Greenhouse Gas Reporting Data Report' lists hundreds of entities that will be affected by AB 32 implementation. Universities, ports, airports, public utilities, wineries, food processors, cement plants, beer makers, glass makers, just to name a few sectors are all included in the report. These entities employ thousands of California workers who will be impacted placing high-wage manufacturing and other jobs at risk.

To that end, the EAAC report suggests that the federal Trade Adjustment Assistance program provide a model for this program. It provides assistance to workers who lose their jobs because the firm's customers switched to foreign suppliers or because the firm relocated the production facility to a foreign location.

The EAAC report also states: **"California households will face higher prices directly for electricity, natural gas and gasoline, and indirectly as businesses pass costs for GHG reduction on to consumers.** These higher prices can be expected to have a regressive impact: as a percentage of their incomes, they **will hit low-income households harder** than upper-income households." The report goes on to suggest that CARB should impose a new AB 32 Auction Taxes to help compensate for the job losses and increased energy costs resulting from AB 32. <sup>2</sup> This Auction Tax will range from \$10 to more than \$200 per ton of emissions. At \$60 per ton, such an Auction Tax would total \$143 billion between 2012 and 2020.<sup>3</sup>

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<sup>1</sup> EAAC Recommendations to CARB 'Allocating Emissions Allowances Under California's Cap-and-Trade Program' – 12/09/09 -- Page 36.

<sup>2</sup> EAAC Recommendations to CARB 'Allocating Emissions Allowances Under California's Cap-and-Trade Program' – 12/09/09 -- Page 33.

<sup>3</sup> Draft Report of CARB's Economic Allocation and Advisory Committee 11/13/09

Further, some California public utilities have estimated that electricity costs will increase by 60% due to AB 32 policies. Gasoline and diesel costs are predicted to increase by \$3.7 billion a year, and new housing costs would rise by \$50,000 for a new residence.

And finally, a report by the California Small Business Roundtable estimated there would be more than one million job losses resulting from AB 32.

**There must be a better way:**

Before setting up programs to soften the job losses and higher energy costs resulting from AB 32 policies, perhaps the state should consider avoiding these impacts from the outset by finding better, more cost-effective ways to meet AB 32's greenhouse gas emission reduction goals.

Please call Shelly Sullivan at (916) 858-8686 to obtain a copy of the EAAC Report or to learn about the challenges associated with AB 32 implementation and what independent experts are saying about the costs of CARB's current direction.

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