

# AB 32 Implementation Group

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

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Contact: Shelly Sullivan  
(916) 858-8686

## Facts Responding to Revised AB 32 Economic Analysis

The California Air Resources Board (CARB) so far has only shared a copy of their new economic analysis with the Los Angeles Times, and has not yet provided a copy of it to stakeholders, other news outlets or the public. Based on news stories and a verbal presentation provided by CARB this morning, our initial assessment is that CARB's findings are overly optimistic. Basically their conclusion is that AB 32, the most far-reaching regulation in history won't impact jobs in California.

We view that conclusion very skeptically given the fact CARB's own economic advisers have found that AB 32 would increase the cost of electricity, natural gas and gasoline and could impose a cap-and-trade tax of billions of dollars. The agency appears to be out of step with more mainstream economic impact studies on climate change regulations including those from the UC Berkeley Center for Labor Research and Education which stated that AB 32 would put 3 million blue-collar jobs at risk.

Pending a more in-depth review of the analysis by the AB 32 Implementation Group, the following summary of those government and private economic studies reveal the significant impacts of higher energy costs on the California economy:

- An up to 60 percent increase in your electricity bill according to the Southern California Public Power Authority.<sup>1</sup>
- An 8 percent increase in your natural gas bill according to CARB's original economic analysis.<sup>2</sup>
- \$50,000 more for the price of a new home subject to the AB 32 Scoping Plan recommendations for a zero net energy home according to an analysis by the National Renewable Energy Laboratory.<sup>3</sup>
- \$3.7 billion a year more for gasoline and diesel according to Sierra Research.<sup>4</sup>
- A \$1,000-\$3,000 additional cost for a new car according to CARB and automaker studies.
- According to a recent study commissioned by the AB 32 Implementation Group, the AB 32 cap-and-trade regulations with an auction tax alone would increase basic household costs by \$818 to more than \$9300 per year per family. These higher costs would lead to job losses of in the range of 76,000 per year to more than 1.6 million a year, depending upon the rate of the new auction tax on carbon. There would be a loss about \$250 billion to \$350 billion over ten years<sup>5</sup> in economic activity, or nearly 2% of gross state product.
- The cost of allocating cap-and-trade permits would be \$143 billion, at \$60 per ton, between 2012 and 2020 for California government agencies and businesses according to CARB's Economic and Allocation Advisory Committee (EAAC).<sup>6</sup>
- CARB's Economic and Allocation Advisory Committee found that low income families would be particularly disadvantaged by the higher electricity, gasoline and natural gas cost increases their report predicted would occur as a result of AB 32. In addition EAAC

stated: "AB 32 is likely to raise fuel and energy prices, and these price increases will be reflected in higher prices of consumer goods." <sup>6</sup>

- Under a section entitled **Offering Assistance to Displaced California Workers**, CARB's Economic and Allocation Advisory Committee conceded that AB 32 would result in lost jobs and opined: "Fairness considerations suggest possibly using allowance value to fund worker transition assistance (WTA) for any California firms' employees who might lose their jobs or their fulltime status due to the AB 32 greenhouse gas reduction program." <sup>7</sup>
- A study by the University of California, Berkeley Center for Labor Research and Education found that more than three million jobs could be impacted by new AB 32 regulations and/or a cap-and-trade program. These jobs are in manufacturing, fuel extraction, energy generation, waste and water services. There are a high concentration of well-paying, blue-collar union jobs in these sectors, and these jobs are disproportionately filled by men, Latinos and workers with lower than average years of education. These three million jobs represent 20% of all California jobs, and the sheer number of these jobs dwarfs the number of jobs in new green businesses.<sup>8</sup>
- Studies of the costs of national efforts to reduce greenhouse gas emissions are also helpful in assessing the true costs of AB 32. In Washington D.C., great confidence is placed on the Congressional Budget Office's (CBO) analysis of government policies. CBO found that the national plan to reduce greenhouse gas emissions (Lieberman-Warner) would cost American taxpayers \$1.21 trillion during the 2009 - 2018 period and would impose mandates on the private sector that would exceed \$90 billion per year during the 2012-2016 period. California's pro-rated portion of these costs would be roughly \$156 billion during this time frame.<sup>9</sup>
- The United States Environmental Protection Agency (USEPA) concluded this bill would result in annual reductions of U.S. gross domestic product (GDP) from roughly \$1 trillion to more than \$2.8 trillion (\$130-364 billion for California) in 2050. Gasoline prices would increase by \$0.53 per gallon in 2030 and by \$1.40 per gallon in 2050.<sup>10</sup>
- The Massachusetts Institute of Technology (MIT) Joint Program on the Science and Policy of Global Change examined several Congressional proposals to limit carbon emissions using their Emissions Prediction and Policy Analysis (EPPA) model. For S.2191, MIT found that, by 2020, S.2191 will lower expected GDP by nearly 1% (range of estimates is -.69% - -.78%) or by between \$136 billion and \$154 billion (\$18-20 billion for California).<sup>11</sup>

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<sup>1</sup> Southern California Public Power Authority (SCPPA).

<sup>2</sup> AB 32 Scoping Plan Economic Analysis, CARB December 2008

<sup>3</sup> National Renewable Energy Laboratory estimate of cost of zero net energy home.

<sup>4</sup> Sierra Research, April 2009

<sup>5</sup> An Estimate of the Economic Impact of a Cap-and-Trade Auction Tax on California, T2 March 2010.

<sup>6</sup> Allocating Emissions Allowances Under a California Cap-and-Trade Program, CARB Economic and Allocation Advisory Committee, March 2010

<sup>7</sup> Allocating Emissions Allowances Under a California Cap-and-Trade Program, CARB Economic and Allocation Advisory Committee, March 2010.

<sup>8</sup> Addressing the Employment Impacts of AB 32, California's Global Warming Solutions Act, UC Berkeley Center for Labor Research and Education, February 2009.

<sup>9</sup> Congressional Budget Office Cost Estimate, S. 2191 America's Climate Security Act of 2007, April 10, 2008

<sup>10</sup> Environmental Protection Agency Analysis of the Climate Security Act of 2008, May 5, 2008

<sup>11</sup> Assessment of U.S. Cap-and-Trade Proposals, MIT Joint Program on the Science and Policy of Global Change *Report 146, Appendix D*