



AB 32 Implementation Group



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

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CARB ADVISORY COMMITTEE ENDORSES AN AUCTION TAX CONSUMERS AND EMPLOYERS COULD PAY \$143 IN AB 32 AUCTION TAXES

SACRAMENTO, CA – The California Air Resources Board's Economic Allocation and Advisory Committee released its final recommendations earlier this week.

Per the California Air Resources Board (CARB) the role of the Economic Allocation and Advisory Committee (EAAC) is to 'provide advice on allocation of allowances and use of their value. It will evaluate the implications of different allowance allocation strategies such as free allocation, auction or a combination of both.'

Dorothy Rothrock, co-sponsor of the AB 32 Implementation Group stated, "Unfortunately the recommendation of a 100 percent auction of allowances, as recommended in the EAAC report, will hurt California jobs. This Auction Tax could cost California large employers and public entities, such as the UC system and water and power facilities, \$143 billion between 2012 and 2020." (At \$60 per ton).

Consumers would also be affected by the Auction Tax through higher electricity and natural gas bills and higher prices at the gasoline pump. For example, the Auction Tax at \$60 per ton would equate to 53 cents more per gallon of gasoline and \$200 more for a family's electricity costs.

To further exacerbate the issue, Auction Tax costs are in addition to other AB 32 programs that will raise consumer prices – an estimated 30% to 60% increase in electric bills, \$3.7 billion in higher gasoline and diesel costs and a \$50,000 hike in the cost of a new home.

Rothrock continued, "Unfortunately CARB won't be releasing a revised economic analysis until late February 2010, so, it is disappointing the EAAC work had to take place without the benefit of a valid and credible economic analysis to guide its policy recommendations.

In fact during the entire EAAC meeting process, the AB 32 Implementation Group communicated a number of times offering solutions to keep costs lower for California's cap-and-trade market design. Those solutions include: environmental justice concerns to be addressed separate and apart from the design of the cap-and-trade program; a broad use of offsets and the minimal use of auctioning to minimize the costs of greenhouse gas reduction; that the cap-and-trade program design should link seamlessly with national and international programs; and, that a sound economic analysis should be completed as soon as possible under the guidance of the Legislative Analyst.

"We hope that when a sound economic analysis is done EAAC will revisit their recommendations and make adjustments to ensure California has a cap-and-trade system that works for the California economy," concluded Rothrock.