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# AB 32 Implementation Group

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

FOR IMMEDIATE RELEASE  
October 18, 2011

Contact: Shelly Sullivan  
(916) 858-8686

## **AREAS OF CONCERN REMAIN FOR REGULATED INDUSTRIES WITH REGARD TO CARB'S CAP-AND-TRADE REGULATION**

SACRAMENTO – Members of the AB 32 Implementation Group, a coalition of business and taxpayer groups working for the effective implementation of AB 32, continue to convey their concerns surrounding the California Air Resources Board's proposed 'cap-and-trade' regulation. The California Air Resources Board (CARB) will consider the design details of the regulation at its October 20<sup>th</sup> meeting.

Shelly Sullivan, executive director of the AB 32 Implementation Group, stated, "This regulation is going to impose costs on employers that go way beyond what is necessary to achieve the emission reduction goals of AB 32. Even a well-designed cap-and-trade rule, with a focus to protect jobs and the economy, will have a major impact on the California economy. With that being the case, the AB 32 Implementation Group (AB 32 IG) believes more time should be taken to work on outstanding areas of concern."

The AB 32 IG asserts CARB has time to fix the rule and get it right. CARB delayed the start of the market for a year because many elements of the rule remain incomplete. Now CARB should use this time to make necessary adjustments so that cap-and-trade is a useful, not dangerous, tool for achieving our environmental goals.

AB 32 Implementation Group members plan to speak at the CARB meeting to discuss a particular troubling area of the proposed regulation, the arbitrarily set benchmark for industry sectors at 90% of the industry average.

CARB's proposal to withhold 10% of emission allowances (the 'haircut') is an unjustified tax on business that will lead to leakage of production and jobs while failing to reduce GHG emissions required under AB 32. The 10% haircut puts California companies at an immediate competitive disadvantage and runs contrary to CARB's recognition of the necessity for a 'soft start' transition intended to mitigate economic and emissions leakage.

This tax proposed by CARB contradicts the AB 32 requirements of 'minimizing costs' and 'maximizing benefits' for California's economy in the design of emission reduction measures. The tax will negatively affect all California businesses, in addition to the anticipated fuel, energy and other cost increases that will be passed down to businesses from upstream providers.

The downside of this approach is immense; ultimately, as California's economy suffers so too will employment, as an impact on business means an impact on jobs. Employers will be forced to reduce production or lay off employees, as the cost of compliance will make California less competitive with out-of-state businesses. With a 12% unemployment rate it is irresponsible to ignore the adverse economic impacts of this proposal.

Further, the AB 32 IG noted, the proposed rule will make the market price of allowances more expensive than necessary. CARB plans to limit the use of "offsets" or emission reductions achieved at projects that are located away from the industrial site. Off-site reductions could be cheaper, available when they are needed, and would avoid higher costs at the project site. CARB has strict rules about what qualifies as an offset, so the location of offsets should not become a constraint within the program.

Sullivan noted, the AB 32 IG agrees with Chair Nichols that California should not go it alone<sup>i</sup> in a cap-and-trade program. The AB 32 IG believes other states will join cap-and-trade if the regulation is workable and not harmful to the economy. The more participation we attract, the more benefits will be reaped by our energy efficient economy.

"The decision has been already made to defer implementation of the market program until 2013. That gives us the time we need to make necessary adjustments to improve the regulation," Sullivan concluded.

To read numerous comments to CARB from the AB 32 IG and some of the regulated industries regarding their specific concerns with the proposed cap-and-trade regulation go to: [www.ab32ig.com](http://www.ab32ig.com)

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<sup>i</sup> <http://cssrc.us/web/31/multimedia.aspx?media=882>