



AB 32 Implementation Group



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

For Immediate Release

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What Does an AB 32 Auction Tax Mean For the Economic Health Of California?

An Auction Tax could equate to employers and consumers paying billions of dollars

SACRAMENTO -- The AB 32 Implementation Group has distributed a letter to hundreds of companies in California alerting them that the California Air Resources Board cap-and-trade proposal to implement California's AB 32 - The Global Warming Solutions Act - could include a new AB 32 tax that might total more than \$143 billion over eight years. The AB 32 cap-and-trade program being developed by the California Air Resources Board (CARB) could subject California businesses including universities, state agencies, ports, airports, public utilities, wineries food processors, refineries, cement plants, breweries, glass makers and others to billions of dollars in new taxes.

Dorothy Rothrock, vice president, California Manufacturers and Technology Association, and AB 32 Implementation Group co-chair stated, "Imposing billions in new costs onto manufacturers and other large employers will put thousands of California jobs at risk. It is important to make these companies aware of the size of the potential auction tax for their various facilities and the impact on their operations and workforce in California."

The tax would arise if CARB were to allocate GHG emission permits through an auction system. This means that facilities generating 25,000 tons or more per year of GHG emissions could be required to pay the State for every ton of GHG of emissions they generate.

CARB's Economic and Allocation Advisory Committee (EAAC) recently reviewed several studies that showed the permit prices could range from \$8 to \$214 per ton. At \$60 per ton, if all participants were required to purchase all of their permits, the cost could add up to more than \$143 billion between 2012 and 2020.

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For example based on CARB's list, a California private facility generating 43,685 tons of GHG emissions in 2008, at an auction price of \$60 per ton, could potentially pay an annual tax of \$2,621,100 under the proposed 100% auction method.

And, over ten years that Auction Tax could cost the facility \$26,211,000. Further, a California public facility generating 174,023 tons of GHG emissions in 2008, at an auction price of \$60 per ton, could also potentially pay an annual tax of \$10,441,380 and over a ten year period, this tax could equate to \$104,413,800.

California companies subject to the Auction Tax will likely be subject to other costs for implementing AB 32. These include increased electricity costs of up to 60%¹, increased natural gas costs, increased gasoline and diesel costs projected at \$3.7 billion a year², and increased product and raw material costs.

The letters include an AB 32 Cost Calculator to help companies identify their additional AB 32 implementation costs. It is available on the AB 32 Implementation Group website: www.ab32ig.com.

"An expensive cap-and-trade auction isn't necessary to reduce emissions and to meet AB 32 targets. We need to design the program to protect jobs and promote a healthy economy," Rothrock concluded.

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¹ Southern California Public Power Authority Report. September 2009

² Sierra Research Report. April 2009