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Economic Crisis Complicates California's Goals on Climate

By FELICITY BARRINGER

COLTON, Calif. — Only a few years ago, CalPortland planned on keeping its plant here operating as long as Mount Slover's limestone held out. For more than a century, Colton's kilns and crushing machines have been churning out cement for the streets and buildings of Los Angeles.

But the company says the plant's future is now uncertain. The recession has sent cement prices plunging, lowered profits and forced CalPortland's drivers to cut back on hours. And the company says it faces new expenses: the cost of meeting California's new requirements that manufacturers take steps to curb emissions of carbon dioxide, the main heat-trapping gas linked to global warming.

State regulators have projected that retrofitting the state's 11 cement plants would cost \$220 million and reduce carbon dioxide emissions by 12 percent per ton of cement. But CalPortland's executives say it would cost more than that to retrofit the Colton plant alone.

"We don't have enough limestone left to invest \$200 million," said James A. Repman, the company's president.

California was one of the first states to enact legislation to tackle global warming, with legislators passing a 2006 measure to curb carbon dioxide emissions in all economic sectors, including manufacturing, transportation and real estate development. But the state is also providing a lesson in how contentious carrying out such a law can be, especially at a time of economic crisis.

What happens in California — and in other states that have taken steps to reduce emissions — is being closely watched in Washington, where lawmakers will soon debate federal climate legislation. The Obama administration has said it plans to push for a cap-and-trade bill this year.

California's law, like federal proposals, has stirred intense fighting over whether its benefits outweigh its costs and what those costs will actually turn out to be.

"We're talking about a transformation of the way of life," said Greg Freeman, an economist with the Los Angeles Economic Development Commission. "There's going to be transitional costs. We can't have the debate about whether the cost is worth paying unless we have a realistic idea of what the cost will be."

State regulators predicted in an economic analysis last fall that the climate law would create 100,000 jobs in the state and increase per-capita income by \$200 annually by 2020. The upfront cost for the first five years after the law takes effect, they estimated, would be \$31.4 billion, about \$8.5 billion more than the savings in those years. But if carbon-control costs were spread over the lifespan of the new equipment, the \$25 billion in annual costs in the year 2020 would be more than offset by \$40 billion in savings.

The state's plan includes a cap-and-trade model, in which polluters would have to either reduce emissions on their own or buy credits from more efficient producers.

At the time of the analysis, Mary D. Nichols, chairwoman of California's Air Resources Board, called them "good-news numbers."

But the projections were strongly criticized as unrealistic by the affected industries and by independent economists who reviewed the analysis — including two from the Pew Center on Global Climate Change, which supports the emission reduction goals.

In one withering review, Matthew E. Kahn of the University of California, Los Angeles said the analysis unconvincingly portrayed the law as “a riskless free lunch.” Another economist, Robert N. Stavins of Harvard, said the regulators were “systematically biased” in ways “that lead to potentially severe underestimates of costs.”

Now, with the recession deepening — unemployment in California is 9.3 percent — manufacturers like Mr. Repman say the recession will make carrying out the state’s plan, the first stage of which goes into effect in 2010, even more difficult and could make the economy worse.

Mr. Repman said “2006 was a boom like I’d never seen,” and “2008 was a bust like I’d never seen.”

With profits and Mount Slover’s supply of limestone both dwindling, Mr. Repman said, he cannot justify the expense of upgrading the core of the Colton plant, its coal-burning kilns, where 2,000-degree heat turns limestone into a building block of cement.

If he closes the plant when the new rules take effect, Mr. Repman said, 140 jobs will disappear.

State regulators say new jobs in renewable energy and green technologies, created as a result of the law, will more than make up for the jobs that are lost. And the law’s supporters note that less economic activity means reduced emissions of heat-trapping gases, making the law’s goals — cutting carbon-dioxide emissions to 1990 levels by 2020 — easier to meet.

In an interview, Ms. Nichols, of the air resources board said she thought the study’s cost estimates fell within an acceptable range. The models used, she said, “showed the effect of fully implementing the plan on the California economy is minimal — it could be plus or minus, but it would be minimal.”

She said the critiques by the economists, who were chosen by the state, might have contained some harsh words, but were “very typical of the kinds of things you would see in peer review of an academic study.”

A new group of economists — academics and experts from the business world — is being assembled to guide planners in the next round of decisions about the rules set to take effect next year.

Chris Busch, a climate economist with the Center for Resource Solutions, an environmental group, also defended the Air Board’s work.

“The excuse that more study is needed,” Mr. Busch said, “has been a standard excuse going back to the earliest” discussions about combating climate change.

He added that, “now that the science is increasingly clear,” opponents of climate change measures are shifting the debate to economic models “which are easier to manipulate.”

Yet until the models used by economists estimating the costs and benefits of the legislation can be tested by reality, the debate is likely to continue unresolved.

“There will be job gains — there will also probably be job losses,” said Eileen Claussen, president of the Pew Center on Global Climate Change. “It’s not a black and white picture. Those who don’t want to do something will focus on the negatives and those who do will focus on the positives.”