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Companies Face Green Rules

By Mark Madler - San Fernando Valley Business Journal Staff

With new regulations coming aimed at reducing greenhouse emissions by 30 percent by 2020 businesses will face new challenges on how they conduct themselves.

Some business leaders, however, find that missing from the implementation of those measures is the cost to businesses, particularly small operations that provide much needed jobs in some parts of the state.

The California Air Quality Board needs to revisit the modeling used to conclude that the new regulations will create jobs in the state, said several business leaders at a May 14 forum in Glendale on the law passed in 2006.

"This is a serious matter so it's important we get it right," said Greg Freeman, of the Los Angeles County Economic Development Corp.

The Global Warming Solutions Act is the most ambitious measure in the nation to tackle the release of greenhouse gases that contribute to global warming. In California, most of those emissions come from vehicles and coal-fired electric generation plants.

A plan approved by the state's Air Resources Board in December lays out 73 regulations affecting transportation, electricity, green building and land use. Some measures, including reducing the carbon intensity of fuel, take effect in 2010 with the remaining measures being enforced starting in 2012.

The challenge facing the state is to reduce emissions for the least cost while dealing with a growing population.

Options open to utilities and energy users include direct measure of using more renewable power (solar, wind, etc.), energy efficiency and a smart grid using digital technology to deliver energy more cost effectively and with less waste. The other option is the cap and auction method in which users putting out more emissions could buy energy credits from those causing less pollution.

Both options have their supporters and detractors.

Ron Davis, the general manager of Burbank Water & Power, is squarely in favor of the direct measures. Cap and auction is risky if not well regulated and well-operated, said Davis, who is also president of the California Municipal Utility Association.

"This can be expensive and disruptive," Davis added.

Cost estimates based on typical monthly energy usage provided by Davis showed a 30 percent increase in residential (up by \$60) and business (up by \$300) energy bills under the direct measures. If cap and auction were also implemented, add in another 30 percent increase.

Whatever the cost, businesses will be affected because when that money goes toward paying higher energy bills that is less money being spent elsewhere, Freeman said.

In a report from early 2008, the LAEDC concluded that independent studies on the Global Warming Solutions bill showing little or no net cost to the state were “overly optimistic” and that reducing greenhouse gas emissions is likely to be a burden to the economy.

Additionally, the legislative analyst’s office was critical of a lack of stable funding to implement reduction measures.

Those criticisms should raise a red flag about the act and that its effects need to be looked at closer, said Roy Perez, of the California Hispanic Chamber of Commerce.

Perez and other statewide chamber representatives at the Glendale meeting were concerned how enforcement would affect their members and that not enough study of the economic impacts had been done.

“We can’t allow something bad to be done that we leave our state,” Perez said.

A pending bill before state lawmakers would require the air resources board to do another study on the costs of enforcement on the economy as a whole and on all industry sectors, as well as on small business.

While there is great opportunity for job creation in a green economy, the state can’t just focus on jobs that don’t exist yet at the expense of those that can be created in existing industries.

For example, Freeman said, Intel has plans to build new chip plants in the United States but California was not selected as a location.

“It would take a lot of new jobs to offset that loss,” Freeman said.