

Eco-fight looms on gas credit

Silicon Valley / San Jose Business Journal - March 19, 2007

by Timothy Roberts

As the state agency charged with writing regulations to require reductions in greenhouse gas emissions is racing to meet a June 30 deadline, businesses and industry associations are asking the regulators to give them credit for the reductions they've made already.

A coalition of 34 business and industry groups is hoping to convince the California Air Resources Board that they have been reducing their greenhouse gas emissions for several years as they improved energy efficiency. Some have signed onto a federal program of voluntary reductions.

In 2006, the California Legislature passed legislation that would roll back emissions of carbon dioxide to 1990 levels.

The law requires the Air Resources Board to proposed regulations by July 1 that could be implemented by 2010. The full program would take effect in 2012.

Businesses are concerned that what they have done in the recent past and anything they do between now and 2012 will be credited to them. The uncertainty over the new rules is holding back investment in the state, the AB 32 Implementation Group says.

"It's becoming increasingly hard to site in California because of the unknown," says Gino DiCaro, communications director for the California Manufacturers and Technology Association.

That overstates the case, says Bill Magavern, senior representative for the Sierra Club California. "AB 32 is spurring investment in California," he says. "People investing in green technology say California is the place to be."

The leaders of the business group, the California Chamber of Commerce and the CMTA, were leaders of the opposition to AB 32.

"This is the diehard opposition," Magavern says. "They opposed the law and now they will try to affect its implementation."

But many business executives recall with concern the 1970s when the state first enacted legislation forcing a reduction in the emissions of air pollutants. Since then, companies have often disagreed with local air boards about what credit they should get for reducing smog-causing chemicals. Companies bank those reductions against plant expansions that might be more efficient but increase the overall level of emissions.

"Companies today are facing the same thing manufacturers faced in the 1970s with the California Clean Air Act," says Craig Anderson, manager of environmental affairs for San Diego-based Solar Turbines Inc., which employs 4,500 people in California and is a member of the AB 32 Implementation Group. "This all looks very familiar to people who have been in the environment and air quality business."

A company that replaces equipment that emitted 100 pounds a day of nitrogen oxide with new equipment emitting just 10 pounds a day might want to bank that 90 pounds of savings. The air board, however, might determine that the company should have been cutting back its emissions sooner and give credit for only half of those emissions.

Now companies will be required to reduce greenhouse gases. The details are not yet clear, but the expected method is a cap-and-trade system. This would allow businesses to get credits for the reductions they make in emissions and allow them to sell those credits to other companies who need to expand and, as a result, would increase their emissions.

To expand production a business owner would need to buy credits covering more than 100 percent of the emissions the expanded facilities would create. This would ultimately reduce the total amount of emissions.

Getting credit for early reductions is important says Keely Wachs, environmental communications manager for PG&E. The utility is not a member of the AB 32 Implementation Group but would like to see strong incentives in the regulations.

"Companies should be rewarded for being leaders," Wachs says.

The Sierra Club also favors giving companies the encouragement to make emission reductions early.

"You don't want companies polluting as much as possible until the law kicks in," says Magavern.