



AB 32 Implementation Group



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

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AB 32 Auction Tax Would Lead to Lost Jobs and Higher Costs

Sacramento, CA – The AB 32 Implementation Group today released a new study that showed a proposed AB 32 cap-and-trade program could lead to tens of thousands of lost jobs and thousands of dollars of increased costs for California families.

The research firm T² & Associates conducted the study on behalf of the AB 32 Implementation Group, a coalition of nearly 200 business, taxpayer, and employer groups. The analysis focuses on four critical aspects based on current and available information on the proposed tax: direct employment loss created by adoption and implementation of the tax; annual costs to typical family of four; net loss in economic activity at the state level; and, qualitative impacts to state budget.

Dorothy Rothrock, vice president, California Manufacturers & Technology Association and co-chair of the AB 32 Implementation Group stated, "Maintaining and growing jobs and the economy in California and reaching the GHG emission goals set forth in AB 32 must be approached in a balanced manner. This latest study tells us we must seriously take into consideration the costs to businesses, large and small, and families in California as we further design California's climate change policy."

The study found that:

- An annual effective cost increase to the typical family of four to be \$818 the first year growing to \$2800 in 2020, if market clearing prices for permits are \$60 dollars per ton. Those figures are \$270 and \$930 if permit prices are at \$20 and as much as \$2720 to over \$9330 per family if prices clear at \$200 per ton. Costs increase for most goods and services. These cost increases are average for the population, although some residents may be compensated through a partial return of auction revenues.
- Annual job losses to the California Economy of 76,000 to 107,000 the first year growing to perhaps 485,000 jobs in 2020, assuming a market clearing price of \$60 per ton. These are net jobs losses, accounting for lost jobs and for jobs created by redirecting revenues collected from the auctions.
- Lost economic activity of nearly 2% of gross state product, or about \$250 to 350 billion over ten years. Much of this derives from reductions in productivity across the economy, and negative trade implications due to reduced competitiveness.

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T² & Associates principal and author of the study, Thomas Tanton stated, “A study using the best available information and data to date is an important tool in the overall debate of the next climate change policy steps California should be taking. The outcomes of this study should become a critical part of the on-going dialog in our state.”

The AB 32 cap-and-trade program costs are over and above the other program costs resulting from AB 32 including an up to 60% increase in electricity rates, and \$3.7 billion in higher gasoline and diesel costs. The California Air Resources Board will be voting on a preliminary cap-and-trade program at its April meeting, and must adopt a final cap-and-trade regulation by January 1, 2011.

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