



AB 32 Implementation Group



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

Why CARB Needs to Take the Time to Implement AB 32 Correctly

THE LAW

AB 32 requires California to reduce greenhouse gas emissions (GHG) to 1990 levels by 2020. To achieve this, the law established specific deadlines for developing a scoping plan and regulations.

AB 32 also requires that the scoping plan and regulations conform to several specific criteria. These criteria include cost-effectiveness, technological feasibility, minimizing leakage, minimizing costs, encouraging early action to reduce greenhouse gas emissions, minimizing impacts on low income communities, avoiding adverse impacts to small business, giving credit for early voluntary reductions, maintaining consistency with existing air quality rules, consideration of reductions in other air pollutants and diversification of energy sources, and minimizing the administrative burden of implementing and complying with regulations. In addition, AB 32 stated that CARB must rely upon the best available economic and scientific information when adopting the scoping plan and subsequent regulations.

THE CONFLICT: SACRIFICING QUALITY TO MEET ARBITRARY DEADLINES

In its rush to meet the December 2008 deadline for approving the AB 32 scoping plan, CARB failed to achieve many of the criteria required by the law. The Scoping Plan economic analysis was CARB's most critical failure to meet AB 32 standards of using "best available economic information." CARB's own peer reviewers drawn from nationally recognized economists at Harvard, UCLA, Wesleyan University, Pew Center for Climate Change and Resources for the Future called the economic analysis "terribly deficient, biased, counter-intuitive and contrary to a wide body of theoretical and empirical work." Peer reviewers found that the CARB analysis systematically underestimated costs and concluded that the net dollar cost of each of these regulations is likely to be much larger than what is reported.

California's independent Legislative Analyst (LAO) also found CARB's AB 32 economic analysis "inconsistent and incomplete." The LAO also criticized the analysis because CARB failed to demonstrate the analytic rigor of its findings, and concluded that economic analysis played a limited role

Clearly, CARB did not meet the AB 32 criteria for using best available economic information in developing its AB 32 Scoping Plan. An economic analysis is the key tool for demonstrating compliance with other important criteria. If the economic analysis is deficient then CARB failed to show compliance with AB 32 criteria for cost-effectiveness, minimizing leakage, minimizing costs, minimizing impacts to low income communities, and avoiding adverse impacts to small business.

If CARB continues its practice of rushing decisions to meet arbitrary AB 32 deadlines while avoiding its responsibility to use "best available economic information," California likely will be imposing regulations whose costs are unknown or egregiously underestimated. With California workers facing near 10% unemployment, millions of foreclosures, and billions of dollars in higher taxes, is this really the time to impose increased costs of possibly tens of billions of dollars on electric bills, natural gas bills, gasoline bills and housing? Shouldn't CARB fully understand the price tag of their regulations before they are imposed?

The Solution: State decision-makers should require that CARB take the time necessary to satisfy all of the AB 32 criteria. Before proceeding with adoption of any regulations, CARB should redo its AB 32 scoping plan economic analysis to address the major flaws identified by its peer reviewers, the LAO and stakeholders.

DOING AB 32 CORRECTLY WON'T STOP FORWARD PROGRESS:

The AB 32 Scoping Plan relies on existing laws and programs to achieve the lion's share of the greenhouse gas (GHG) emission reductions necessary to meet the law's goals. There is no "Do Nothing" option. Even if CARB takes the time necessary to meet the letter of the law, these programs will continue and greenhouse gas emission reductions will continue, renewable power development will continue to grow and the state's strict air quality standards will continue to be enforced. Here are a few of these programs:

Million Solar Roofs:

This program by the CPUC is fully funded and going forward. It will reduce GHG emissions by 2.1 million metric tons according to the AB 32 Scoping Plan. This program will cost utility ratepayers \$3.3 billion.

Pavley Fuel Efficiency Standards:

With the EPA waiver expected shortly from the Obama Administration, California will begin to implement these rules which will reduce GHG emissions by 31.7 million metric tons according to the Scoping Plan.

Renewable Portfolio Standard (RPS):

There is an existing 20% RPS mandate in place, and is expected to reduce GHG emissions by nearly 13 million metric tons per year. The Scoping Plan's proposed increased standard of 33% is now being advanced in the Legislature and will likely be adopted with or without AB 32.

Solar Hot Water Heaters:

The Legislature approved AB 1470 which provided hundreds of millions of dollars of ratepayer funding for the installation of solar water heaters on 200,000 homes in California which CARB calculates would reduce GHG emissions of 130 therms per house.

High Speed Rail:

CARB estimates that development of a high speed rail system which the voters just approved funding for would reduce GHG emissions by one million metric tons per year.

Electricity and Natural Gas Efficiency:

The AB 32 Scoping Plan recognizes that California already has a very aggressive energy efficiency program underway at the CPUC which is reducing GHG emissions by some 9.4 million metric ton per year. California utility ratepayers pay for these programs through higher bills.

Strictest Air Pollution Laws in the Country:

In addition to these relatively new programs aimed at reducing GHG emissions, California and the federal government have been implementing successful programs to improve air quality for many decades. These air quality programs have significantly improved air quality in every region in the state providing cleaner, healthier air to breathe for all Californians. Recent changes to these clean air laws will improve air quality even more throughout the state. The state and regional air quality programs will continue to be implemented with or without AB 32.

In addition to these ongoing state energy and air quality programs, local governments and private industry are pursuing their own initiatives investments to reduce GHG emissions.