

## Climate Change and Clean Technology Blog

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### [Update on Initiative to Suspend California's Global Warming Bill](#)

by [Adrienne Lee](#)

In March 2010, the California Jobs Initiative Committee began collecting signatures to place their initiative on the November 2010 ballot that would require California to abandon implementation of [AB 32](#), also known as the Global Warming Solutions Act of 2006, until California's unemployment rate drops to 5.5 percent or less for at least a year.

#### **What is AB 32?**

Set to be phased in between 2012 and 2020, AB 32 is a comprehensive GHG reduction program that includes increased renewable energy and clean fuel requirements, mandatory emissions reporting, and fee schedules for major polluters, such as power plants and oil refineries. It directs the California Air Resources Board (CARB) to develop early actions to reduce greenhouse gases and to prepare a [Scoping Plan](#) to identify how best to reach the 2020 limit. The Scoping Plan, approved by the ARB Board in December 2008, provides an outline for actions to reduce California's GHG emissions.

Specifically, AB 32 requires CARB to:

- Establish a statewide GHG emissions cap for 2020, based on 1990 emissions by January 1, 2008;
- Adopt mandatory reporting rules for significant GHG sources, and a plan indicating how emissions reductions will be achieved, by January 1, 2009;
- Adopt regulations by January 1, 2011 to achieve the maximum technologically feasible and cost-effective reductions in greenhouse gas, including provisions for market

mechanisms and alternative compliance mechanisms;

- Convene an Environmental Justice Advisory Committee and an Economic and Technology Advancement Advisory Committee to advise CARB; and
- Ensure that the public is notified and can comment on all CARB actions.

AB 32 authorizes CARB to develop regulations and market mechanisms to meet the state's emissions targets. Under AB 32, California must reduce greenhouse gas emissions by 25 percent by 2020, returning them to 1990 levels. One of its most controversial proposals is a [cap-and-trade system](#), through which polluting businesses can buy credits from non-polluters.

Before imposing any mandates or authorizing mechanisms, CARB must evaluate several factors, including impacts on California's economy, the environment and public health; equity between regulated entities; electricity reliability, conformance with other environmental laws; and ensuring that the rules do not disproportionately impact low-income communities. To enforce AB 32, CARB can impose criminal or civil penalties for AB 32 violations, but can also provide credits to businesses that reduce emissions early. The bill also includes a built-in safety valve that permits the Governor to suspend emissions caps for up to one year in the case of an emergency or threat of significant economic harm.

### **Opponents of AB 32 Seek Ballot Initiative to Suspend AB 32**

The California Jobs Initiative Committee was formed to place an initiative on the November ballot, which would suspend implementation of AB 32. While the initiative was originally titled the "California Jobs Initiative," State Attorney General Jerry Brown deemed it misleading and required the official ballot title to be a description of what the initiative would do: "Suspends Air Pollution Control Laws Requiring Major Polluters to Report and Reduce Greenhouse Gas Emissions That Cause Global Warming Until Unemployment Drops Below Specified Level for Full Year."

The Committee must collect roughly 434,000 verified signatures by June 26 for the initiative to appear on the November 2010 ballot. The Committee has already submitted 800,000 signatures, which have yet to be verified. If the initiative appears on the ballot and receives more than 50% approval in November, the suspension would be in place until California's unemployment rate drops to 5.5 percent or less, for at least a year.

The California Jobs Initiative Committee contends that with California's current unemployment rate of 12.6 percent, Californians will be unable to afford the increases in the price of gasoline, electricity, food, and water that will be passed onto them as a result of the legislation. Furthermore, they insist that California businesses will be unable to create jobs if faced costly new regulations. According to a controversial report, titled "[The Costs of AB 32](#)," the bill could cause California to lose up to 1.1 million jobs, cost the average family nearly \$4,000 per year in increased expenses, and cost small businesses nearly \$50,000. However, the validity of this report has been called into question, most notably, by the Legislative Analyst's

Office (LAO), which provides nonpartisan fiscal and policy analyses for the Legislature.

According to [LAO's review](#), "Both of the two studies...have major problems involving both data, methodology, and analysis. As a result of these shortcomings, we believe that their principal findings are unreliable." Responding to the criticism, the authors issued this [statement](#): "We stand by the findings of our research, and emphasize that the costs of AB 32 are materializing quickly as utilities announce sky-high rate increases, and still the economic benefits of AB 32 are yet to be seen."

A variety of businesses and lobbying groups have combined efforts in the signature-gathering campaign. The initiative is largely being funded by Texas oil companies, such as Valero Energy Corp. and Tesoro Corp. which have donated \$500,000 and \$275,000 respectively. Other supporters of the initiative include the Howard Jarvis Taxpayers Association, World Oil Corp., and the conservative Adam Smith Foundation. Several business groups are also opposed to AB 32, warning that the bill would cost jobs and prompt billions of dollars in higher energy prices.

John Kabateck, the executive director of the National Federation of Business California, stated at a news conference, "While the goals of AB32 are admirable, clearly the implementation of this at this time ... would be a death knell for many small businesses."

### **Supporters of AB 32 to Oppose the Initiative**

A group called Californians for Clean Energy and Jobs has been formed to oppose the initiative to suspend AB 32. As of April, the group has received approximately \$1 million in donations, with the bulk of it (\$500,000) coming from the Green Tech Action Fund, a political group backed by the Energy Foundation, a San Francisco partnership which supports sustainable energy. George Schultz, former U.S. Secretary of State under President Reagan, has been named the honorary co-chairman of Californians for Clean Energy and Jobs. Dubbing it the "Dirty Energy Proposition," Shultz stated that the initiative is a "misguided proposition" that will "seriously harm our effort to encourage the growing entrepreneurial ventures that hold the promise of important change toward cleaner energy." Instead of hurting jobs, Schultz says that the regulations implemented under AB 32 "will boost the state's economy by creating 'clean-tech jobs.'"

In March 2010, CARB released an [Updated Economic Analysis of AB 32 Scoping Plan](#), which concluded that AB 32 would have minor but positive impacts on small businesses in California and that the economy would grow by 2.4% per year, consistent with current patterns. The study also found that increases in energy prices would be offset by the increases in efficiency throughout the economy and reduced fuel expenditures.

### **What next?**

If the California Jobs Initiative Committee gathers 434,000 verified signatures by June 26th, the initiative will appear on the November 2010 ballot. This initiative will then need at least 50% of the vote to pass. If passed, then AB 32 will be suspended until California's unemployment rate is 5.5% or less for at least a year.

Studies on the economic impact of AB 32 have yielded widely divergent results. The only

certainty is that California is facing one of its most contentious ballot initiatives yet and the fate of this landmark global warming bill will rest in the hands of California voters.

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