

# California cap-and-trade plan endorsed to fight global warming

**BUSINESSES WOULD BUY CREDITS FOR RIGHT TO POLLUTE**

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Taking a step that highlights California's leading role on environmental issues, the Schwarzenegger administration put its muscle behind a plan to use a pollution trading system similar to one in Europe to help fight global warming.

An advisory committee created by Gov. Arnold Schwarzenegger said creating a so-called cap-and-trade program that allows companies to buy pollution credits is key to helping industries meet the aggressive goals called for under California's landmark global warming bill, which took effect in January.

"California is moving forward very quickly to lead the world," said Devra Wang, director of the California energy program for the Natural Resources Defense Council.

Proponents say cap-and-trade programs allow only a fixed amount of carbon into the atmosphere, limiting and eventually shrinking the overall amount that can be put into the air.

But opponents say the reductions often are on paper only because companies don't have to reduce their pollution. Instead, they can pay another company that does not have a limit on carbon emissions, thus leading to no total reduction in pollution.

Under California's Global Warming Act, AB32, the state must reduce carbon-dioxide emissions by 25 percent by 2020, cutting millions of tons of greenhouse gases from the atmosphere. The state's Air Resources Board is charged with implementing the program and regulators are now hammering out a plan to reach those cuts - which all agree will be challenging.

One environmental group did lend its support to a cap-and-trade program. The Natural Resources Defense Council released a joint report Friday with the Silicon Valley Leadership Group, a coalition of area companies, outlining a plan that includes promoting energy efficiency and renewable-energy sources such as solar and wind to cut greenhouse gases. In it, Wang said it is clear that "a well-designed cap-and-trade program can be a useful tool in the tool box."

A coalition of more than 100 business groups said Friday that it supports a cap-and-trade system, saying such programs had proved successful as part of the Kyoto Protocol and Europe's greenhouse-gas-reduction strategies.

Assembly Speaker Fabian Nuñez, D-Los Angeles, co-author of the global warming bill, has asked that the Air Resources Board try to meet the emission-reduction goals with regulations and energy efficiency before a market system such as cap-and-trade is put into place.

Friday, his press secretary, Richard Stapler, said: "Clearly, a lot of work went into this report. We need the same effort to go into meeting the carbon-reduction goals in AB32." The committee's 104-page report, which will be presented to the Air Resources Board at the end of this month, outlines a program that requires major industry sectors such as manufacturers and utilities to participate in a plan that would cap the total amount of carbon each sector can produce. It also would provide for some allowances within the

industry sectors for those who could not meet the cap, such as low-income customers. And the plan would allow companies to eventually offset their carbon emissions by trading with other industries in and out of state.

This program would be in addition to other efforts the state has already approved, including cuts in carbon emissions for transportation fuels and \$3.2 billion in solar-technology investments.

"The market advisory committee recognizes that there are already initiatives well under way that put California as leader in the world with reducing emissions," said Winston Hickox, chair of the market advisory committee and former secretary of the California Environmental Protection Agency.

"We offer what we perceive as an important intellectual breakthrough. There's nothing inconsistent in having a cap-and-trade program that overlaps with the low-carbon fuel standard."

Regardless, Hickox said, "the most efficient and cost-effective reductions will come from a cap-and-trade program."

The concept of allowing companies to trade off carbon emissions, essentially paying for the credits, is somewhat controversial, said Jason Barbose, global warming advocate for Environment California.

"You don't have to be an expert in economics to sort of have a gut reaction: `Hey, I thought what we really need to do is stop polluting,'" Barbose said. Environment California neither supports nor opposes market mechanisms, he said.

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