



AB 32 Implementation Group



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

DATE: February 25, 2009
TO: Commission on the 21st Century Economy
FROM: Shelly Sullivan -- AB 32 Implementation Group
RE: **Discussion of a Carbon Tax for California**

The AB 32 Implementation Group is a coalition of more than 185 organizations whose goal is to be a constructive voice in the process to implement AB 32 (The Global Warming Solutions Act) and ensure that the greenhouse gas emissions reductions required are achieved while maintaining the competitiveness of California businesses, and protecting the interests of consumers and workers. We advocate a balanced and cost-effective approach to implementation of this unprecedented and wide-ranging policy initiative.

It is our understanding that some Commission Members have discussed the idea of imposing a carbon tax in California as a revenue generator for the General Fund, and that the issue will be on the Commission's agenda at its March 10, 2009 meeting.

It is critically important that the Commission consider this and other tax policies in the broader context of the state's entire regulatory and fee program.

In December 2008, the California Air Resources Board (CARB) approved a plan to achieve the greenhouse gas emission reductions required under AB 32 primarily through direct regulations and to a lesser extent a regional cap-and-trade program.

These regulations will include direct administrative fees, regulations that will result in billions of dollars a year in higher costs for electricity, natural gas and transportation fuels, building regulations that will add up to \$50,000 to the cost of a new home, vehicle regulations that will cost between \$1,000 to \$3,000 per car and a new \$500 million a year water charge. In addition, CARB is considering a cap-and-trade system that allocates emission credits from an auction system that could impose new burdens in the tens of billions of dollars for California companies, municipal utilities and others. Furthermore, local governments in California are imposing their own global warming regulatory programs and the federal government is likely to impose a national global warming strategy.

Imposing a new California carbon tax would be an additional burden on top of the costs outlined above, and could undermine the success of those programs. First, a key element of AB 32 is the requirement that regulations should be cost-effective and technologically feasible to protect the economy and minimize leakage (the movement of production and jobs out of California) that would both hurt the economy and fail to reduce emissions globally. A carbon tax not subject to AB 32 requirements would encourage leakage and divert money away from the very organizations (both public and private) that have the heaviest economic burden for reducing greenhouse gas emissions. Also, using the revenues from a new carbon tax for general fund purposes would conflict with using any such revenues for greenhouse gas emission reduction purposes or other appropriate mitigation required as part of AB 32 implementation.

We urge the Commission to abandon the discussion of a carbon tax as a solution to the state budget problems. Finally, we respectfully request that a representative of the AB 32 Implementation Group be invited to speak to the Commission about the implications of a carbon tax at your March meeting.