

Tuesday, April 20, 2010 4:28 PM ET  **Exclusive**

Battle brewing in California to preserve progressive climate policies

By [Jay Hodgkins](#)

California for decades has been at the forefront of environmental and energy efficiency movements both within the United States and globally, but the economically devastated state is facing growing opposition to and a possible reversal of hard-fought policies by politicians and other interests seeking to subvert those policies as a path to economic recovery.

Panelists at an April 15-16 carbon conference in San Francisco said that for now, California's energy policy — to pursue as much energy efficiency as possible, followed by construction of new renewable generation and then construction of conventional generation as a third option — is still firmly entrenched but that the political tides seem to be dangerously changing due to the rough economic waters.

The political battle in California is centered on the implementation of A.B. 32, California's landmark bill to fight global warming by setting greenhouse gas reduction targets, which has fallen primarily on the California Air Resources Board. CARB Executive Officer James Goldstene said his agency and other California regulatory agencies responsible for input on the implementation of A.B. 32 are still moving ahead despite the brewing political turmoil.

International Emissions Trading Association President and CEO Henry Derwent expressed some shock that so much space is being given in California to an opposition to A.B. 32 that he said is preying on fears that the effort will kill jobs in California when the state and its population have been so confident in the past that California stands to become a leader in attracting new green jobs. California Assembly member Dan Logue is [spearheading](#) the California Jobs Initiative, supported by major California taxpayer and industry groups, to suspend the greenhouse gas emissions law until the state's unemployment level, at 12.6% in March, dips to 5.5% for four consecutive quarters.

Nico van Aelstyn, an environmental lawyer with Beveridge & Diamond PC, said he believes Logue's effort would be the "death knell" for A.B. 32 because of the high unlikelihood that California could reach the targeted level of unemployment for four straight quarters.

Van Aelstyn said he believes the late opposition to A.B. 32 is in part due to the state's rough economy but is also due to a continuation of the post-Copenhagen phenomenon in which the population is no longer as interested in tackling climate change, no longer believes as strongly in the phenomenon and has been influenced highly by the "climategate" scandal despite a U.K. government investigation that found the leaked e-mails had no impact on scientific findings supporting the theory of man-made global warming.

To combat resistance in California, van Aelstyn said, climate change action advocates must reiterate the importance of action to state politicians as it pertains to economic benefits. With the economy as a focus, van Aelstyn said, the 70% to 80% of targeted CO2 reductions that CARB's Goldstene and California Public Utilities Commissioner Nancy Ryan said the state plans to achieve via "command-and-control" regulatory directives are a bit high and should rely more on market-driven measures such as CARB's proposed cap-and-trade market. If regulators at the CPUC and California Energy Commission can also speed up the process for siting and permitting of renewable energy and transmission projects, van Aelstyn said, the state can make a stronger economic case for its strong energy and climate policies. He believes siting and permitting issues are killing 9 out of every 10 renewable projects that could proceed.

[BP plc](#) has supported California's efforts to fight climate change, but Ralph Moran, [BP America Inc.](#)'s director of

West Coast climate change, represented the business community's economic concerns about CARB's design of final measures to comply with A.B. 32 because he is not sure they are adhering to the rules BP believes are most important for economic and environmental success, which include using a market-based solution, implementing cost controls, and mitigating trade inadequacies with other states and countries.

Ryan, who is sitting on the CPUC despite the fact that her nomination has not yet been confirmed, said California's upcoming elections could result in A.B. 32 being completely sacked and a major change happening to the priorities of regulatory bodies, from promoting clean energy policy to favoring economic concerns. Ryan said if her nomination is not confirmed, three of five CPUC seats will be open after the next election, which would completely alter the direction of decisions the commission has been taking.

Declining to reassure the investors of [PG&E Corp.](#), [Sempra Energy](#) and [Edison International](#) that the CPUC would continue to be as supportive of those companies' energy efficiency and clean energy initiatives as it has in the past, Ryan told SNL Energy after the panel April 15 that they would have to simply "stay tuned" to California's election results to find out which way the CPUC might rule on proposals in the future.

At worst, Ryan said, the election outcome would probably only lead to the CPUC slowing the pace of efficiency and clean energy investments because the driving policies have been around for 30 years and will not change regardless of election results. California Energy Commissioner Jeffrey Byron during the panel discussion agreed with Ryan, saying California's clean energy policies were institutionalized by law and would stand through the current economic turmoil.

In fact, Ryan denied that a recent [narrow 3-2 vote](#) approving Sempra unit [Southern California Gas Co.](#)'s \$1 billion gas smart meter project was a sign of the CPUC's starting to falter under the economic pressure to slow down efficiency investments. Ryan told SNL Energy that she voted 'no' and that the vote was so close because gas smart meters do not provide as clear and strong a cost and efficiency benefit as electric smart meters do.

The effort to kill or at least significantly delay A.B. 32 is a big concern to California regulators who have been working for years to implement it and to the climate community that wants to take action, but California Natural Resources Secretary Lester Snow said ultimately he sees the initiative failing because Californians have a long history of killing propositions funded by out-of-state interests. Even if the effort to kill the greenhouse gas-reduction bill did succeed, Snow said, California's efforts to tackle climate change are embedded in much more than just one bill.