Powering the Future

AB 32 Has Helped State Get Jump on Creating Green Jobs

By GARY GERG

CALIFORNIA stands at a crossroads. The direction we take will determine whether we lead the nation into the bountiful clean energy economy or whether we relinquish our leadership and stand still, jeopardizing our health, jobs and environment.

The occasion is the California Global Warming Act of 2006, working hard today to capture the innovative technologies, venture capital and green jobs that will give them a competitive edge as the world’s energy economy evolves. In the years ahead, California is in a very strong position to be one of these economic plants, but we are now facing a serious threat.

TWO VIEWS

AB 32, California’s controversial energy bill, would require the state to cut its greenhouse gas emissions. Some believe this will lead to a new green economy that will benefit California. Others say it will create expensive electricity, and it will drive up costs for businesses and consumers. Proposition 23 on the ballot in November would suspend AB 32 until the economy improves. Here are two views on that topic, each with an A.L.A. slant.

A proposition funded by Texas oil companies has been qualified for the November ballot that would, in effect, repeal California’s landmark global warming law, AB 32. This law was enacted four years ago with the support of a broad coalition of business, environmental and health organizations to cut clean energy and pollution control standards, and to spur investment and create jobs in clean technology.

The law has been successful in bringing more than $7 billion in venture capital to California since 2005—an astounding 60 percent of all venture capital invested across North America during that time period. 2009 alone saw more than $2 billion in venture capital invested here. At a result today, California has more than 12,000 clean technology companies and 300,000 people working in green jobs. If AB 32 is repealed, these types of companies and jobs will experience a significant downturn as billions of dollars of investments are shifted to other states or overseas.

Two generations ago, our nation faced similar crossroads. Air pollution was suffocating our cities, water pollution was destroying resources and habitats, and hazardous wastes were endangering the public health. An effort was launched to clean the air, water and land, but it too faced crises that pollution controls would cripple our economy. We chose wisely, enacting a broad set of environmental laws in the 1970s that have made our communities safer, healthier and more liveable, and that have spurred a wide range of technological innovations and new economic opportunities. Imagine, however, if polluting companies had been successful in overturning the Clean Air Act by funding a ballot proposition. Where would we stand today? Would Los Angeles still suffer from smog so dense that children could not play outdoors? Would thousands of Angelenos still die prematurely every year from lung illnesses? Would you still be able to see downtown Los Angeles from only a mile away? While we have not completely solved these problems, we have made vast improvements.

Los Angeles is particularly vulnerable to the effects of climate change, as many of our precious resources are at risk. Much of our drinking water is dependent on snowpack in the Sierras. If that precipitation falls as rain instead of snow, or does not fall at all due to global warming, we will be unable to sustain our economy and population.

We have already experienced the devastation that comes from wildfires, but such events could be far worse in the future as temperatures rise and droughts persist. And the progress we have made in addressing air pollution could be stalled or even reversed if we don’t have the right policies to further reduce pollution and invest in the new power plants, refineries and motor vehicles. AB 32 provides the policy framework that will allow us to continue to protect the public health.

Repealing AB 32 would not only set back our efforts to address the serious threat to California—and particularly to the L.A. region—from global warming, but it would halt our progress in becoming the leader in the new clean energy economy. According to the California Employment Development Department, 3,000 new clean energy jobs are created for every 10,000 green jobs created.

The initiative evokes images of the California energy crisis of 2001, where it was widely believed that Houston-based Enron caused the California energy market collapse causing a huge spike in electricity prices despite evidence to the contrary.

Already a counter-campaign has started called Californians for Clean Energy and Jobs that opposes the initiative, and is backed by unions, environmental organizations, green energy companies, a number of liberal organizations such as the NAACP and AARP, and liberal religious organizations. Its website has a $.25 cent on a polluting energy refinery with the words “STOP Texas oil companies” on it, which is sure to evoke images of the 2001 energy crisis.

We need to remember the lessons of the California electricity crisis of 2001 before flipping the switch and proceeding with AB 32 and green power.

The California energy crisis was started in 1996 by the Federal Environmental Protection Agency mandating that California clean up its air pollution or federal highway and school funds would be cut off. The only way to comply with the EPA was to shift down or modernize old polluting power plants along the coastline. But the megabillion dollars of bonds on these mothballed power plants weren’t paid off. And new replacement power plant construction was delayed in 2001 due to bankruptcy.

(California’s budget deficit is in part due to its reliance on out-of-state energy suppliers—because of the air pollution by power plants—California wants to shift from coal and nuclear to low-carbon sources.) Importing energy and exporting pollution has become the de facto state energy policy. Hypothetically, AB 32 would reverse this policy to limit greenhouse emissions to other states. But because green power is unpredictable and still requires expensive backup power from conventional power plants, new reductions in pollution or price is likely.

In 2001, the state Legislature devised a plan to pay for the bonds on old polluting power plants by energy deregulation. The price of paying off the bonds would be included in the lower energy prices brought about by competition. But that failed. We saw Enron gamely the system but because the governor and Legislature pulled the plug on deregulation to keep out-of-state energy providers from capturing a larger share of the state electric market.

The second scheme to pay off the bonds involved creating an energy pricing fear by paying retailer’s excels on retail electricity but not on wholesale energy. The goal was to inflate electricity prices so high that all the bonds on old polluting power plants would be paid off by energy providers while customers would have their electricity bills frozen at the old prices. This was what we experienced as the energy crisis with rolling blackouts and skyrocketing electricity prices. This effort failed anyway because price controls and price bubbles are always bound to fail.

Finally, the old bonds were folded into a $40 billion bond to be paid off by long-term contracts for power. These long-term contracts will be paid off in 2012, the same year that AB 32—the Green Power law—will kick in.

What we should have learned from the 2001 energy crisis is to be skeptical about any energy policy that promises an energy utopia and is not market based. AB 32 incredibly promises to eventually make green power affordable, reduce air pollution and create new green jobs that will cost less than the new economy will it create (not considering tax credits and subsidies).

Texas oil companies aren’t gaining the state energy pricing system and green power advocates aren’t progressing to usher an era of clean, clean energy without any negative unintended consequences on our economy.

The California Jobs Initiative is less about jobs and more importantly about whether California wants to shift from carbon-based capitalism to the new emerging “state capitalism” of green power, state-funded stem cell research, infill affordable housing mandates as described in the Governor’s new book “The End of the Free Market.”

Despite the negative image of Texas oil company political influence, if you live in California, you might consider a “yes” vote on the California Jobs Initiative as a circuit breaker to prevent a continuation of our financial meltdown.

Wayne Lusvardi served on the California Energy Crisis Task Force of 2001 for the Metropolitan Water District of Southern California. He lives in Pasadena.

By WAYNE LUSVARDI

Energy Market, Not Ideology Should Guide California Policy

ASKING voters to suspend Assembly Bill 32—the Green Power law—on the upcoming November ballot may mistakenly be thought to be like asking California voters to root for Texas against USC in the Rose Bowl.

Proposition 23, the California Jobs Initiative, would suspend the expansion of green power until the unemployment rate drops to 4.8 percent or below for four consecutive quarters. It requires the gradual process of increasing the amount of clean green power in California up to 30 percent, or higher, beginning in 2012. The initiative is receiving financial support from two Texas oil companies that have refineries in California.