

California initiative would set back offset market: Gero

Published: 21 Oct 2010 11:14 PM CET

Passage of California's Proposition 23 would be a blow to the state's burgeoning offset market.

Gary Gero, president of the Climate Action Reserve (CAR), said offset projects producing credits for compliance with the state's cap-and-trade programme would be undermined if the initiative passes.

Proposition 23 seeks to halt the state's climate law, AB 32, until the state unemployment rate falls to below 5.5 per cent for a full year, a condition that could take up to 11 years to come about, according to economists.

The California Air Resources Board (Carb), which is designing the programme to get the state to return its emissions to 1990 levels by 2020, has said the state will reach its target in part through a regional cap-and-trade system, the Western Climate Initiative (WCI), which is expected to launch in 2012.

Carb is expected to approve the use of four CAR offset protocols when it votes on its final scoping plan on 17 December.

Carb is expected to allow emitters use offsets to meet about 6 per cent of their compliance obligation.

Vanishing market

But if Proposition 23 passes, "a regulatory market will simply vanish," Gero said.

"Those of you who are engaged in projects around forestry, urban forestry, livestock waste management or ozone depleting substances may be stranded by the adoption of Proposition 23," he said, referring to the four protocols Carb is expected to approve.

CAR has 365 projects across the country and has issued almost eight million offset credits already. He stressed that even if Proposition 23 passes, CAR will continue to exist to provide offsets for the voluntary market, where he noted prices have rebounded.

But he said CAR formally opposes Proposition 23, and said he was pleased to see new data that shows the proposition is behind in the polls.

Prop 23 trails in new poll

A survey released yesterday by the Public Policy Institute of California found that 48 per cent of likely voters oppose the initiative, while 37 per cent support the measure.

The remaining 15 per cent are undecided.

The No on Proposition 23 campaign also got a boost when President Barack Obama voiced his opposition to the measure Wednesday.

"The president is opposed to Proposition 23 -- a veiled attempt by corporate polluters to block progress towards a clean energy economy," White House spokesman Adam Abrams said Wednesday, the LA Times reported.

Abrams was referring to the fact that most of the funding for the initiative has come from out of state oil companies and manufacturers.

"If passed, the initiative would stifle innovation, investment in R&D and cost jobs for the state of California," he said.

Money pours in

Microsoft Founder Bill Gates gave \$700,000 to the campaign fighting the initiative this week, part of a recent surge in funding against the measure.

Contributions from both sides have topped \$33 million, with oil companies backing Proposition 23 and venture capitalists who fund alternative energy companies against it, Reuters reported Thursday.

By Rory Carroll – rc@pointcarbon.com

Washington DC