Powering the Future

AB 32 Has Helped State Get Jump on Creating Green Jobs

By GARY GERO

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

The economic giants of tomorrow are 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 is transformed in the years ahead. California is in a very strong position to be one of these economic giants, 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 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 set 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 $9 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. As a result, California now has more than 12,000 clean technology companies and 500,000 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 If AB 32 is repealed, these types of companies and jobs will experience a significant downturn as billions of dollars of investments are shifted to other states or overseas.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 cries 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 livable, 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 respiratory illnesses? Would you still not 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.

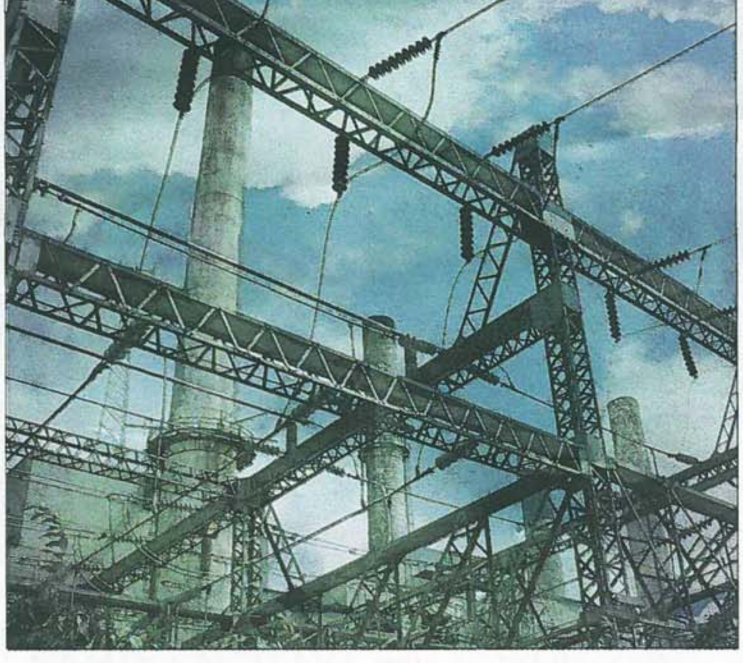
We have already experienced the devastation that comes from wildfires, but such events could be far worse in the future as temperatures rise and droughts persist. And the progress that we have made in addressing air pollution could be stalled or even reversed if we don't have the right policies to further reduce emissions from 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, we already have more than 500,000 green jobs, and more than 20 percent of those jobs are in manufacturing and construction.

In Southern California, examples of those kinds of jobs are all around us. Thousands of construction jobs are being created at the Abengoa solar thermal plant in San Bernardino, the BrightSource solar plant in the Mojave Desert and geothermal plants in Imperial County. My own organization – the Climate Action Reserve – is the largest and fastest-growing carbon offset registry in North America today and is bringing good, green jobs to downtown Los Angeles. These are real and tangible results from the clear signal AB 32 has provided that California is serious about being at the forefront of these emerging economic sectors.

Businesses have clearly responded to these signals and are relying on the certainty that California will continue to have strong policies supporting their investments in clean technologies. But, just as these seeds are beginning to sprout, this ballot proposition is seeking to introduce uncertainty and kill this growing part of our economy. We must stand up against this cynical and deceptive effort. We must choose the wise path by voting to keep California on the road to the clean energy future.

Gary Gero is president of L.A.-based Climate Action Reserve, a non-profit.



Energy Market, Not Ideology Should Guide California Policy

By WAYNE LUSVARDI

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. AB 32 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.

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

Already a countercampaign 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 silhouette of a polluting oil 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 shut down or modernize old polluting power plants along the coastline. But the megabillions of dollars of bonds on these mothballed power plants weren't paid off. And new replacement power plant construction was delayed in 2001 due to bureaucracy.

(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 mainly in California's large coastal cities. Importing energy and exporting pollution has become the de facto state energy policy. Hypothetically, AB 32 would reverse this policy of hemorrhaging of revenues to other states. But because green power is unpredictable and still requires expensive backup power from conventional power plants, no reduction 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. This failed not because Enron gamed 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 electricity market.

The second scheme to pay off the bonds involved creating an energy pricing fever by putting price controls on retail electricity but not on wholesale energy. The goal was to inflate electricity prices so high that all the bonds on old 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 too 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 it will create (not considering tax credits and subsidies).

Texas oil companies aren't gaming the state energy pricing system and green power advocates aren't progressives about to usher in an era of cheap, 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 democratic capitalism to the new emerging "state capitalism" of green power, state-funded stem cell research, infill affordable housing mandates as described in Ian Bremmer's new book "The End of the Free Market."

Despite the negative image of Texas oil companies supporting a ballot initiative 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.