Manufacturers fret over Calif. emission, energy policies
Arthur O'Donnell, special to *Greenwire (1000 words) 08/01/06*

SOUTH LAKE TAHOE, Nev. -- Though they are supporting Gov. Arnold Schwarzenegger's bid for re-election, the powerful California Manufacturers & Technology Association opposes many of his ambitious policies for reducing greenhouse gas emissions and promoting renewable resources as too expensive and risky.

"The cost of these programs ultimately will be reflected in rates," observed Keith McCrea, an attorney who represents CMTA on energy and regulatory matters. "California industrials cannot afford to take a long-term view, they are more concerned with short-term survival."

The issue has become so critical for the trade group that it devoted its entire summer energy conference here last week to debating and discussing the economic effects of green energy policies.

The manufacturers last week expressed opposition to any mandatory emissions rules.

"The state has lost 350,000 manufacturing jobs since January 2001," said Dorothy Rothrock, CMTA's vice president of government relations. She admitted the group has taken a "just say no" attitude toward pending legislation that would cap greenhouse gases and restrict utilities from purchasing power from out-of-state, coal-fired power plants.

The group is also skeptical of recent amendments that Schwarzenegger has proposed for Assembly Bill 32, the measure sponsored by the Legislature's Democratic leadership to codify goals for reducing GHG (*Greenwire*, July 18).

Even if the bill is amended as suggested by the administration, CMTA remains concerned that it would require mandatory reporting of carbon emissions by utilities, industrials, oil/gas producers and cement makers, while possibly moving toward a mandatory "cap and trade" system for carbon emissions beginning in 2012. This, CMTA fears, will drive businesses to other states that do not have such restrictions.

"Climate change policies should be cost-effective and flexible," said Joe Lyons, CMTA's energy policy director. "Otherwise we won't be able to sustain reductions over the long term." Lyons worried about the effects on jobs if California finds itself five or 10 years ahead of other states and the federal government.

Dan Skopec, undersecretary for energy matters at the California EPA, explained the proposed changes to A.B. 32 would feature "flexible compliance options," a process for businesses to help craft implementation rules, and a safety valve to assuage their concerns.

"If this has a detrimental effect on the economy, you could ask to push back compliance dates," Skopec said. But he held to the governor's stated timeline for achieving a 20 percent reduction to GHG by 2020.

Other energy policies, such as building new power to meet reserve adequacy requirements and renewable portfolio standards, will also be costly, said Barbara Barkovich, a consultant who represents large energy consumers.

California's electric rates for commercial and industrial firms are now more than 40 percent higher than the national average, Barkovich said. Policies such as the California Solar Initiative, the renewables portfolio standard (RPS) and requiring utilities to buy a big reserve of power generation will all add to the cost. "None of the new capacity additions will come cheaply," she said.

Also, it may cost $1 billion to build transmission lines to access resources to meet a 20 percent RPS, Barkovich said. And many renewable projects might not be able to fulfill their contracts, meaning the utilities might need to buy 20 percent to 30 percent more than their RPS commitments. "That sounds expensive to me," Barkovich said.

As the state considers increasing its RPS to 33 percent by 2020, some electric utilities are increasingly concerned that they might not be able to meet the goals. Pedro Pizarro, vice president of power procurement for Southern California Edison, said, "We need to understand the full cost implications of getting to 20 percent before we make a choice of going to 33 percent."

'Low-carbon economy of the future'

Mike Peevey, president of the California Public Utilities Commission, admitted that state policies may be costly but so would failure to address climate change. "The short-term impact is to increase rates, but we think the long-term benefits greatly outweigh short-term costs," Peevey said.

Peevey told the group that a GHG emissions cap "will happen regardless of A.B. 32." Industrials' opposition to the bill "fails to take into account 15 years of technology progress and overlooks the breakthroughs we can expect in the next 15 years," he said. "Research and new technologies are the most important protections we have against global warming. Nothing short of a new industrial revolution will be needed to meet the greenhouse gas reduction goals by 2050," he said.

Instead, Peevey challenged the group to come up with proposals that they can live with, while looking for ways to "profit from the low-carbon economy of the future. Make sure that the inevitable federal climate policy has a 'Made in California' color to it," Peevey concluded.

Ralph Cavanagh, senior energy policy attorney for the Natural Resources Defense Council, joined in advocating a positive response by the manufacturers to the climate challenge, as they have successfully met past challenges for cleaner air and a more efficient economy.

"California's climate leadership is already in place. Over the last 30 years, we've cut 60 percent of criteria pollutants while population has grown," Cavanagh said. "Our emissions-per-person is 30 percent less; our economic output is 30 percent more," he said. This has cost just 2 to 3 cents per kilowatt-hour but has returned an economic payback of 2 to 1.

"I don't want us to be climate martyrs. We need people to move forward with a strategy that's positive. We're better at this than anyone else on earth," Cavanagh said.

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