

## Editorial: Lead the world? Yes, but do it wisely

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When Gov. Arnold Schwarzenegger signed the Global Warming Solutions Act of 2006, California's economy was strong and the state's trailblazing efforts were courageous.

Although the Golden State was ahead of the nation in adopting a comprehensive program to cap greenhouse gases, it didn't seem as if the state would be an outlier for long. The election of 2008, with Barack Obama replacing George W. Bush in the White House, suggested the United States would soon join Europe, Japan and other nations in a broad coalition to control emissions contributing to global warming.

Much has changed since 2006. The economy cratered and has since shown meager signs of recovery. Despite the gulf oil spill, Congress and Obama botched their best chance in decades to enact meaningful energy and climate legislation. Meanwhile, numerous states have dropped out of the Western Climate Initiative, an effort led by Schwarzenegger to create a multi-state coalition to cap and trade greenhouse gas emissions.

Despite all these setbacks, California continues to implement its 2006 warming law with little reconsideration of the last four years. On Thursday, the California Air Resources Board approved cap-and-trade regulations that, while well intentioned, carry serious risks in a go-it-alone mode. If not closely monitored and modified over time, the program could end up repeating the mistakes of other market trading experiments, such as Europe's initial foray into cap and trade.

Under cap and trade, the state would set a ceiling on greenhouse gas emissions for about 600 of the state's major industrial facilities. The state would grant allowances for emissions starting in 2012, then reduce those allowances each year until 2020.

Against the advice of a panel of economic advisers, the ARB agreed to distribute those allowances for free, with additional allowances to be later auctioned. While this move was aimed at delaying the financial impact of cap and trade, it could prove to be a giveaway for certain industries, including cement plants and oil refineries. Some of those plants could easily reduce their emissions, then reap windfall profits selling allowances to other businesses.

Another uncertainty is permission for companies to meet the cap by buying "offsets," such as investments in forestry projects that absorb carbon from the atmosphere. Conducted on a broad scale, with numerous partners watching out for bogus trading schemes, such offset programs could help in the overall goal – to quickly reduce greenhouse emissions.

Yet we question whether the ARB has the resources to be a watchdog of such offset programs, including some that would be carried out in other countries.

This editorial board was an early supporter of the Global Warming Solutions Act, a conditional supporter of cap and trade and a fierce opponent of Proposition 23, the effort by Texas oil companies to roll back the state law. But opposing an indefinite delay is not the same as unswerving support for a "full speed ahead" approach. Given the eyeballs that are watching California worldwide, we need to get this right.

Upon taking office, Gov.-elect Jerry Brown shouldn't hesitate in convening an independent review of the state's climate strategy, not just on cap and trade but other programs, including the low carbon fuel standard, clean cars and electricity energy efficiency.

This review needs to explore if there may be cheaper, less convoluted and more enforceable ways to reduce emissions than a cap-and-trade program. One possible idea is to accelerate retrofits of buildings statewide to make them more energy efficient, generating jobs and long-term savings.

It could well be that an independent review will vindicate the Schwarzenegger administration's support and design of a cap-and-trade program. That will help Schwarzenegger if he continues to crusade internationally on climate issues, as he should. On the other hand, a review could affirm the perils of the current approach, which have been noted by respected economists and experts supportive of the state's original law.

Jerry Brown will never know if he doesn't ask the question. He needs to ask the question.

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