

Informational Board Workshop on Policy Tools for the AB 32 Scoping Plan



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WARMING SOLUTIONS ACT OF 2006 (AB 32)**

MAY, 28, 2008



Why we care



Domestically, the adverse impacts of climate change will also hit the poor and people of color harder. Global warming is likely to result in a significant increase in the frequency and severity of heat waves. It will also lead to more unhealthy air and associated asthma and respiratory illnesses, since hotter days lead to more smog. In this country, African-Americans are twice as likely to die in a heat wave [8](#) and three times more likely to die from asthma than whites. [9](#) African-American children and low-income children have the highest incidence of asthma in the United States. [10](#)

These disproportionate effects will be experienced in California as well. The state already has the worst smog in the country, [11](#) and the highest number of people with asthma, an estimated 3.9 million people. [12](#) Global warming's impacts also will pose major threats to sectors of the California economy employing large numbers of poor people and people of color -- such as agriculture and tourism-- due to crop losses, drought and flooding. [13](#)

The impacts of global warming experienced by minority and poor communities will be exacerbated because these groups are often the least able to adapt. They typically have less access to health care and medical, home, and renter's insurance; less money to purchase air conditioning or to move away from droughts, floods, and fires caused by global warming; and spend a higher percentage of their income on necessities such as gasoline, water, and electricity, [14](#) which will become scarcer and more expensive with climate change.

**THE FUTURE
IN OUR
HANDS**



Addressing the Leadership Challenge of Climate Change

United Nations Headquarters, New York, 24 September 2007

Fact Sheet

The Causes of Climate Change

Climate change refers to a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods.

United Nations Framework Convention on Climate Change

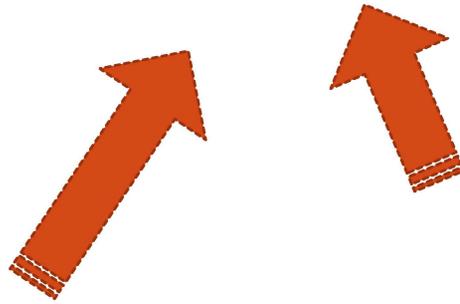
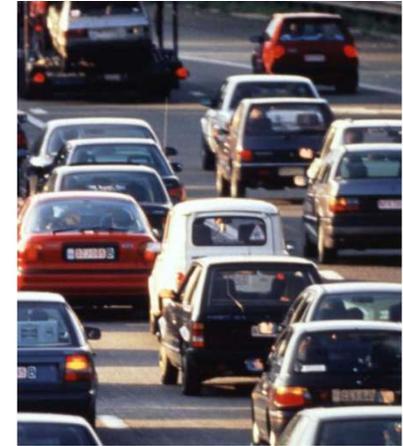
Quick facts:

A natural blanket of greenhouse gases in the atmosphere keeps the planet warm enough for life as we know it — at a comfortable 15°C today.

Human-caused emissions of greenhouse gases have made the blanket thicker, trapping heat and leading to a global warming.

Fossil fuels are the single biggest source of human-generated greenhouse gas emissions.





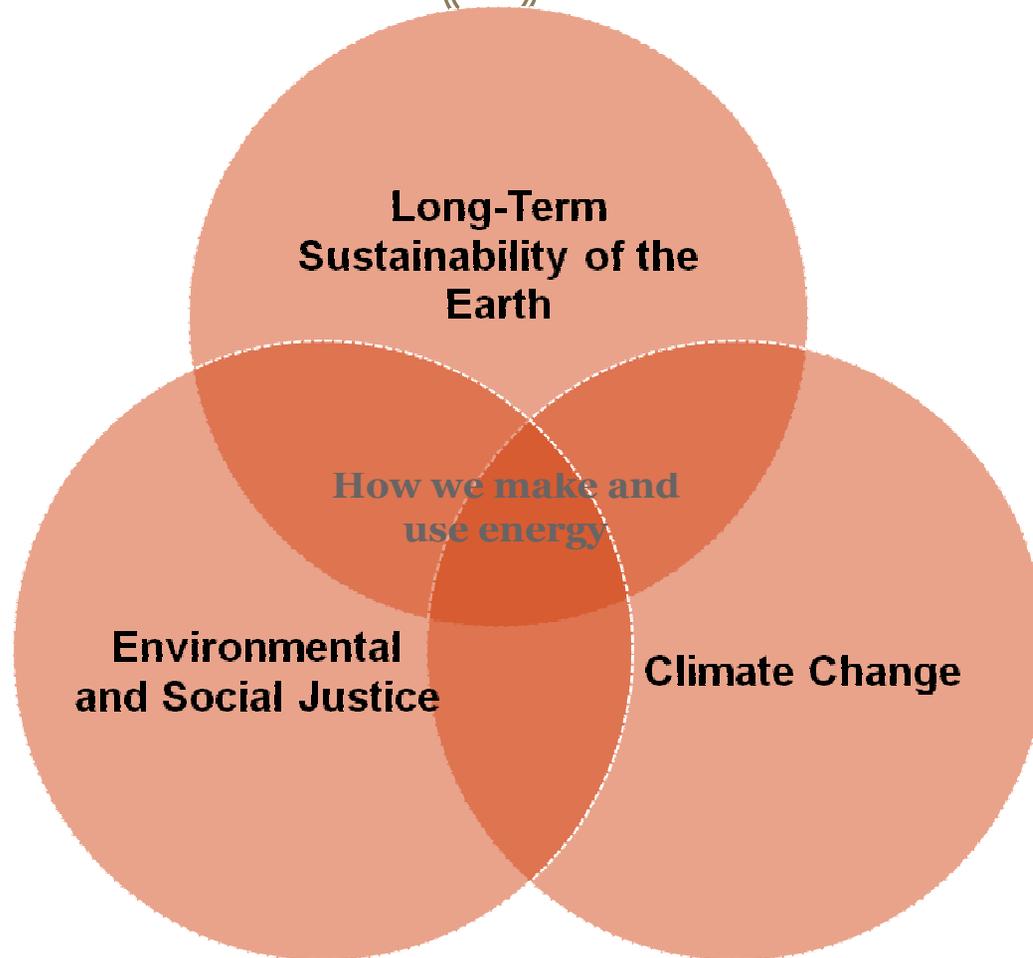
Why we care



In addition to being the primary source of greenhouse gases, the fossil fuel infrastructure is disproportionately located in California's low income communities and communities of color.

This infrastructure includes power plants, refineries, freeways, ports, and large industrial facilities that cause grave health and other impacts in traditionally overburdened communities.

Working at the intersection of critical public policy



AB 32 requires



- H & S Code § 38501

(h) It is the intent of the Legislature that the State Air Resources Board design emissions reduction measures to meet the statewide emissions limits for greenhouse gases established pursuant to this division in a manner that minimizes costs and maximizes benefits for California's economy, improves and modernizes California's energy infrastructure and maintains electric system reliability, maximizes additional environmental and economic co-benefits for California, and complements the state's efforts to improve air quality.



Predictions overtaken by events



David Adam, environment correspondent

The Guardian Tuesday October 23 2007

The Stern review last October was portrayed as the last word on climate change and the final push needed to get the world to act. It warned that action was needed within 10 to 20 years. But Stern was based on obsolete science, and the UN's Intergovernmental Panel on Climate Change raised the stakes this year, when it said steps to curb emissions were needed by 2015 if the worst effects of global warming were to be avoided. Now, even those worrying predictions look optimistic.

Since the IPCC report was published, a number of polar experts have warned that the Arctic and Antarctic are losing ice much faster than thought, and that sea level rise could be more severe than the IPCC suggested. A number of reports, yesterday's included, have suggested scientists have underestimated the speed and strength with which serious climate change will strike.

The California Environmental Justice Movement's
Declaration Against the
Use of Carbon Trading Schemes to Address Climate Change

1. **Whereas**, the climate system of the planet and the energy choices we make are inextricably linked to a looming ecological and social catastrophe; and
2. **Whereas**, the United States and all other countries of the world face a moment of great promise and great peril regarding our energy production and use, including: 1) our overdependence on fossil fuels such as oil, natural gas, and coal; 2) the production and use of bio-fuels with dubious sustainability attributes; and 3) the resurgence of domestic and international nuclear power development; and
3. **Whereas**, Asian, Black, Latino, and Native American communities in the United States, as well as indigenous and poor people around the world, disproportionately bear the negative economic, environmental, and health impacts of the fossil fuel economy at every stage of its life cycle including its exploration, extraction, production, refining, distribution, consumption, and disposal of its waste; and
4. **Whereas**, global climate change caused by burning fossil fuels, resulting in the release of carbon dioxide, other green house gases, and associated co-pollutants into our oceans, air, soil, and vegetation jeopardizes the planet's ability to maintain a livable climate and causes grave health problems in poor communities, communities of color, and indigenous communities around the world; and
5. **Whereas**, the international scientific community predicts that climate change will cause great human suffering, the brunt of which will be borne by the world's poor, developing nations, disenfranchised indigenous communities, the infirm, and peoples of color that have been historically discriminated against at global, national, and local levels; and
6. **Whereas**, the best available science indicates that the planet is warming more rapidly than we understood when the Kyoto Accord was ratified and that reductions in greenhouse gases must be undertaken more quickly and with greater urgency than previously recognized; and
7. **Whereas**, many of the nations that ratified the Kyoto Accord are failing to meet the treaty's requirements for greenhouse gas emission reductions; and
8. **Whereas**, the policy cornerstone of the Kyoto approach is a market-based system to allow nations to establish emissions "rights" and trading of "rights" to emit carbon, known as cap & trade under the European Union Emission Trading Scheme (EU-ETS); and
9. **Whereas**, the EU-ETS created transferable "rights" to dispose of carbon into the air, oceans, soil, and vegetation far in excess of the capacity of these systems to absorb it; and
10. **Whereas**, economic globalization steers international commodity markets to manufacture and privatize the "right" to dispose of green house gases and their co-pollutants into the air, oceans, soil, vegetation and human bodies and is in direct conflict with the true human rights of people and respect for our planet; and
11. **Whereas**, Phase 1 of the EU-ETS has been documented as giving billions of dollars worth of these "rights," free of charge, to the biggest corporate emitters of greenhouse gases who are responsible for causing the global warming crisis and thereby created one of the largest transfers of wealth from low- and middle-income people to private corporations in the modern industrial era; and
12. **Whereas**, carbon trading under Phase 1 of the EU-ETS benefited fossil-fuel intensive corporations and stands in the way of the transition to clean renewable energy technologies and energy efficiency strategies that are critically necessary to substantially reduce greenhouse gas emissions; and
13. **Whereas**, the Clean Development Mechanism (CDM) under the Kyoto Accord, as well as voluntary private sector trading schemes, encourages industrialized countries and their corporations to finance or create carbon dumps in the Developing World as lucrative alternatives to reducing greenhouse gas emissions in Developed Countries; and
14. **Whereas**, the EU-ETS and the CDM sanctions the continued exploration, extraction, refining, and burning of fossil fuels and finances projects such as private industrial tree plantations and large hydro-electric facilities that appropriate land and water resources jeopardizing the livelihoods of local communities in the Developing World as carbon dumps for industries in the Developed World; and

- FACTSHEET -

**The Cap and Trade Charade
for Climate Change**

*13 Reasons Why Trading and Offset Use are
NOT a Solution to Climate Change:*

1. Time is of the essence
2. The European Union Emissions Trading Scheme (EU-ETS) has failed to deliver greenhouse gas emission reductions
3. Although the EU-ETS has not Reduced Greenhouse Gas Emissions it has Awarded Windfall Profits to the Largest Polluters
4. Trading stifles technological innovation needed to achieve long term goals for greenhouse gas reductions
5. Global Offsets Are Often Unverifiable, Lead to Oppression, and Do Not Benefit Our Communities
6. Trading is undemocratic, secretive, and excludes the public from decision-making about whether and how to address greenhouse gas emissions
7. Trading intensifies financial incentives for fraud
8. There is a broad-based rejection of trading
9. Climate change disproportionately affects communities of color fundamentally linking environmental justice to the need for real greenhouse gas emissions reductions
10. Failure to address the primary cause of greenhouse gas emissions will also fail to address the primary cause of negative health, safety, and quality of life impacts in communities of color
11. Pollution trading can create and exacerbate existing pollution "hot-spots"
12. Trading, investing, profiting and gambling on public health is just wrong
13. There is a better way

Los Angeles Times

A WARMING WORLD

Time to tax carbon

A carbon tax is the best, cheapest and most efficient way to combat cataclysmic climate change.

May 28, 2007

IF YOU HAVE KIDS, take them to the beach. They should enjoy it while it lasts, because there's a chance that within their lifetimes California's beaches will vanish under the waves.



And yet for all its benefits, cap-and-trade still isn't the most effective or efficient approach. That distinction goes to Method No. 3: a carbon tax. While cap-and-trade creates opportunities for cheating, leads to unpredictable fluctuations in energy prices and does nothing to offset high power costs for consumers, carbon taxes can be structured to sidestep all those problems while providing a more reliable market incentive to produce clean-energy technology.

THE WALL STREET JOURNAL.

Cap and Charade

The political and business self-interest behind carbon limits.

Saturday, March 3, 2007 12:01 a.m.

The emerging alliance of business and environmental special interests may well prove powerful enough to give us cap-and-trade in CO₂. It would make Hollywood elites feel virtuous, and it would make money for some very large corporations. But don't believe for a minute that this charade would do much about global warming.

November 2, 2007, 8:00 am

Bloomberg Calls for Tax on Carbon Emissions

To raise the cost of carbon, we can take either an indirect approach — creating a cap-and-trade system of pollution credits — or a direct approach: charging a fee for greenhouse gas pollutants. The question is: Which approach would be more effective? I've talked to a number of economists on this issue, people like [Gilbert Metcalf](#) at the [National Bureau of Economic Research](#), and every one of them says the same thing: A direct fee is the better approach — but for the politics. There's that phrase again: "But for the politics!"

Cap-and-trade is an easier political sell because the costs are hidden — but they're still there. And the payoff is more uncertain. Because even though cap-and-trade is intended to incentivize investments that reduce pollution, the price volatility for carbon credits can discourage investment, since an investment that might make sense if carbon credits are trading at \$50 a ton may not make sense at \$30 a ton. This price volatility can also lead to real economic pain. For instance, if 100 companies release higher emissions than they had planned for, they all have to buy more credits, which can create a very expensive bidding war. That's exactly what's happening in parts of Europe right now, and it's going to cost companies there billions of dollars.

An open letter to Congress

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May 4, 2008

Re: Climate Change Legislation – Urgent Plea for Enactment of Carbon Fees and Ban on New Coal-Fired Power Plants without Carbon Sequestration

Dear Senators and Representatives:

We are writing to you about the urgent problem of climate change. Each of us has approximately two decades of public-sector experience in environmental enforcement.¹ In addition, Allan has substantial experience with cap-and-trade programs. The purpose of this letter is to communicate the bases for our opinion that attempting to address climate change through a cap-and-trade approach alone (as is currently contemplated in most of the major bills before Congress) is an inefficient and ineffective strategy to address the most pressing problem of our time. We believe that failure by the United States to enact meaningful and escalating carbon fees in the near future will result in an unacceptable risk of devastating and irreversible global climate change. Even if you have doubts concerning the time-frame remaining for effective action, please join us in insisting on a strategy that will effectively address this unacceptable threat to our children's future.



Allocation certainty is not necessarily the highest and best goal for the program

Carbon fee can give certainty about the level of emissions reductions if the fees are used in a prudent manner

Comparison of Policy Tools

- Traditional regulations
 - Well understood
 - History of successful use by ARB
 - Would require numerous regulatory proceedings
- Cap and trade
 - Cap offers certainty on emission reductions
 - Trading offers flexibility and may reduce control costs
 - Concerns raised regarding effect of trading on local emissions
 - Significant work needed to create effective market
- Carbon fee
 - Uncertainty about level of emission reductions
 - Would require greater analysis to determine the appropriate fee level

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Study: Warming is stronger, happening sooner

Higher CO2 emissions from fossil fuels, and weaker Earth, cited as reasons

MSNBC staff and news service reports

Updated: 2:06 p.m. PT Oct 22, 2007

The "paper raises some very important issues that the public should be aware of," said Kevin Trenberth of the National Center for Atmospheric Research in Boulder, Colo. "Namely that concentrations of CO2 are increasing at much higher rates than previously expected and this is in spite of the Kyoto Protocol that is designed to hold them down in western countries."

Los Angeles Times

Kyoto's failure haunts new U.N. talks

Negotiations begin today in Bali for another treaty to curb global warming. This one will have to be more than a well-intended symbol.

By Alan Zarembo

Los Angeles Times Staff Writer

December 3, 2007

In the Kyoto Protocol's accounting of greenhouse gases, the former Eastern bloc is a smashing success.

Russia: Down 29% in carbon dioxide emissions since 1990.

Romania: A 43% reduction.

Latvia: A resounding 60% drop.

Reductions such as those across Eastern Europe were the main reason the United Nations was recently able to report a 12% drop in emissions from the accord's industrialized countries over the 1990-2005 period.

It was an illusion.

The progress wasn't due to a global embrace of green power, but rather to the 1991 collapse of the Soviet Union, which shut down smoke-belching factories across the region.

"Their emissions dropped before Kyoto even existed," said Michael Gillenwater, a climate policy researcher at Princeton University.

Trading thin air

May 31st 2007

From The Economist print edition

The carbon market is working, but not bringing forth as much innovation as had been hoped

That helped raise the carbon price. So did the commission's decision to slash national governments' planned allocations to industry for the period 2008-12. The price of phase two allowances has risen to a level high enough to get some power generators to switch from coal to gas at the margin when the gas price is moderate; but not high enough to get them to replace coal-fired power stations with gas-fired ones—nor to encourage much of the innovation that carbon trading had been expected to spawn.



April 23, 2008

Europe Turns Back to Coal, Raising Climate Fears

By [ELISABETH ROSENTHAL](#)

Correction Appended

CIVITAVECCHIA, Italy — At a time when the world's top climate experts agree that carbon emissions must be rapidly reduced to hold down [global warming](#), Italy's major electricity producer, Enel, is converting its massive power plant here from oil to coal, generally the dirtiest fuel on earth.

Over the next five years, Italy will increase its reliance on coal to 33 percent from 14 percent. Power generated by Enel from coal will rise to 50 percent.

And Italy is not alone in its return to coal. Driven by rising demand, record high oil and natural gas prices, concerns over energy security and an aversion to nuclear energy, European countries are expected to put into operation about 50 coal-fired plants over the next five years, plants that will be in use for the next five decades.

Permission to pollute

Far from tackling climate change, the EU's timid plans are rewarding those on the wrong track

Oscar Reyes

Thursday January 24, 2008

The Guardian

Promising a 20% cut in carbon emissions by 2020, the EU now claims to be the world leader in tackling climate change. But dig a little deeper, and the whole project starts to look like a smoke-and-mirrors trick to allow European industry to carry on polluting.

The EU may be trumpeting a new climate and energy road map, but it is one that will only send us in the wrong direction. By focusing on the price of carbon, rather than regulations to cut emissions domestically, it is offering polluters the means to buy their way out of action on climate change. By persisting with biofuel targets, it compounds the problem by incentivising measures that will increase emissions. And by fixing on a 20% target, rather than demanding the scale of cuts that climate scientists advocate, it has shown a paucity of ambition that no amount of talk about "leadership" on climate change can really hide.

guardian.co.uk

Billions wasted on UN climate programme

Energy firms routinely abusing carbon offset fund, US studies claim

John Vidal, environment editor

The Guardian, Monday May 26 2008

Billions of pounds are being wasted in paying industries in developing countries to reduce climate change emissions, according to two analyses of the UN's carbon offsetting programme.

Leading academics and watchdog groups allege that the UN's main offset fund is being routinely abused by chemical, wind, gas and hydro companies who are claiming emission reduction credits for projects that should not qualify. The result is that no genuine pollution cuts are being made, undermining assurances by the UK government and others that carbon markets are dramatically reducing greenhouse gases, the researchers say.

A Realistic Policy on International Carbon Offsets

Michael W. Wara and David G. Victor

A working paper from two senior Stanford University academics examined more than 3,000 projects applying for or already granted up to \$10bn of credits from the UN's CDM funds over the next four years, and concluded that the majority should not be considered for assistance. "They would be built anyway," says David Victor, law professor at the Californian university. "It looks like between one and two thirds of all the total CDM offsets do not represent actual emission cuts."

Working Paper #74

April 2008

Summary



- Our communities have a lot at stake and want to ensure the effort succeeds
- The task is huge, but doable
- Doing it right is critical and truly considering our options is key
 - Trading is not the only and best way
 - Changing how we make and use energy reduces increases our chance for success
 - Offsets stand in the way



“Doing anything is not
the same thing as
doing something”