
ARB Emissions Trading Program Hearing Testimony, John Arensmeyer Dec. 16, 2010

The enactment of the Global Warming Solutions Act, known as AB 32, marked a milestone in California's effort to grow the clean energy sector of our economy. A key component of AB 32's implementation is the Air Resources Board's carbon emissions trading program. This program is needed to provide the economic opportunities AB 32 creates for small businesses, and to transition California out of its present state and into a fiscally responsible clean energy future. For that reason, the Air Resources Board should adopt its proposed market system without delay.

Small businesses across our state stand to benefit greatly from the incentives a carbon emissions trading system establishes. We know this from an in-depth economic analysis of AB 32 we released in October of this year. Our report, "Economic Opportunities for Small Businesses Under AB 32," concluded that the new law will lead to significant economic growth from increased investment and innovation—a boon to California small businesses and the economy overall.

The key findings of the report are encouraging, as small businesses play a pivotal role in our state's economy. In 2006, 7.2 million Californians were employed by nearly 720,000 small businesses. Of these firms, 88% had fewer than 20 employees. AB 32 provides opportunities for many of these businesses to gain a financial edge in the burgeoning clean energy sector. According to our report, these opportunities include:

Increased investment in energy efficiency: Climate change legislation will fuel demand for and increase investment in energy efficiency goods and services, thus generating new prospects for small businesses that provide them. It will boost investment in building retrofits, new construction and renewable energy generation—industries primarily composed of small firms that do the majority of hiring.

Increased spending on non-energy purchases: AB 32 will reduce spending on energy expenses and increase demand in many sectors for goods and services, which will in turn pad small businesses coffers. In addition, the law will help raise revenues of small service businesses, which make up 50% of all small businesses in the state, by \$4.6 billion by 2020, and more than 15,000 jobs will be added. Because of requirements in the law that will spur greater fuel and energy efficiency, consumers are expected to save \$2 billion annually, allowing this money to be pumped back into the economy. For California small service business, the financial benefit translates to an extra \$1,115 per employee.

Incentives for companies to go green: AB 32 will create savings and boost profit margins for new and existing "Main Street" small businesses that successfully go green and employ brand differentiation strategies to grow their businesses.

New innovation: AB 32 will drive innovation, as small businesses will continue looking for opportunities to make and supply the energy efficiency technologies needed to comply with the law's emissions standards. When the Clean Air Act was enacted on the federal level decades ago, American

innovation led to the creation of catalytic converters, a product that has spurred job growth in manufacturing and other sectors. The same type of innovation will occur here in California. But we must make it a top priority to address all of AB 32's provisions, including ARB's carbon emissions trading program, which is key to providing Californians with incentives to invent, build and maintain these technologies.

The opportunities AB 32 creates for California and our small businesses are vast. They will enable small employers to do what they do best: create new jobs and help our struggling economy get back on its feet. However, we need a strong market signal to continue the investments and incentives needed to take full advantage of the law. Since AB 32's passage in 2006, venture capital has been flooding into California and reached \$1.4 billion in the first two quarters of 2010 alone. The Air Resources Board's work on adopting a system of carbon emissions trading will help sustain market certainty, continue this growth in investment and move California from a carbon-based economy to a clean energy one.

California has a proud tradition of leading the nation in smart, new policies. AB 32 is a prime example. It's imperative we don't miss our chance to give small business owners the help they need during these tough economic times, because it's our creative entrepreneurs who will lead the way in restoring our state's economic vitality.