TIME

NATION

Friday, Sep. 01, 2006

Making Good on California's Global Warming Gambit

Environmentalists insist the strict new limits on emissions will be a boon to the economy, but businesses will have a daunting task meeting the state's ambitious goals

By MARGOT ROOSEVELT/LOS ANGELES

California's new greenhouse gas legislation signals a massive commitment to fighting global warming on the part of the world's sixth largest economy. But can industry rise to the challenge of what amounts to the nation's strictest curbs on carbon dioxide emissions?

Not surprisingly, environmentalists contend that technologies and strategies already exist technologies and strategies already exist to meet a sharp reduction in carbon emissions from power plants, oil refineries and other sources. And better technology, they insist, will be developed as a result of the new law. "California is positioning itself to become the hub of a new clean energy economy based on solar energy, ethanol and other renewable fuels," says Bernadette del Chiaro of Environment California, a Sacramento-based group. "These will be the next Silicon Valley industries for California to export to the rest of the world."

That also happens to be the view of a group of the state ' s venture capitalists and technology entrepreneurs who promoted the measure, forecasting a windfall of high-skill, high-paying jobs as the state pushes for more aggressive measures to ratchet down emissions. A recent study by economists at the University of California, Berkeley projects that the law, by spurring more efficient industrial machinery, energy saving appliances and renewable energy sources, could boost the state ' s economy by more than $60 billion, creating as many as 89,000 jobs, by 2020. Even the electricity industry, one of the biggest sources of greenhouse gases, is not entirely against the law; the state's largest investor-owned utility, Pacific Gas & Electric declared that it "strikes the right balance between improving the environment and protecting the economy."

On the other hand, the state ' s Chamber of Commerce warned that the law would drive up the cost of electricity, encouraging factories to move outside the state. And the most vociferous opponents, oil and natural gas refineries, say there is no mechanism that allows them to "scrub" CO_2 emissions. "We don't have any idea what costs will be involved because we don't know what the technology will be," says Tupper Hull of the Western States Petroleum Association. The emissions caps would require a 17 percent reduction in the state's refining capacity, he says, "a catastrophic loss of fuel supplies that could be very painful for consumers."

Ultimately, with the Bush administration opposing tough greenhouse gas controls, California ' s pioneering efforts will only be successful if other states follow its lead. Already, there are moves in that direction, with seven mid-Atlantic and New England states having signed a pact to cut power plant emissions by ten percent by 2019. California can be "a world leader in the effort to reduce carbon emissions," Gov. Arnold Schwarzenegger predicted as the legislature rushed to pass the bill this week. "The success of our system will be an example for other states and nations to follow as the fight against climate change continues."

Still, few doubt that the task is daunting. No one is even certain how much greenhouse gas every industrial plant emits, since the federal government has hitherto fought off lawsuits to force the regulation of carbon dioxide as a pollutant under the Clean Air Act. That issue will be argued before the U.S. Supreme Court next December. But regardless of the outcome, California ' s new law, which was adopted by the legislature Thursday and is expected to be signed by Schwarzenegger next week, would require that its industries measure exactly how much they emit by 2008. Then, by 2011, the state ' s independent Air Resources Board must adopt rules that cap emissions of carbon dioxide and other heat-trapping pollutants to 1990 levels by the year 2020. That ' s a 25 percent reduction compared to business as usual.

Although it is not required under the legislation, the state will be under pressure from business to set up a trading scheme, similar to the greenhouse gas market in Western Europe, that allows companies to buy and sell carbon dioxide permits. Thus, industries which cost more to clean up can buy the permits from companies that can cut emissions more cheaply - and reduce their costs. "A cap and trade program, which has been used for controlling acid rain in the U.S., will give industry flexibility," says Jason Mark of the Union of Concerned Scientists, a science-based non-profit. "If heat-trapping emissions are not reduced, the state faces poorer air quality, a sharp rise in extreme heat, a less reliable water supply, more dangerous wildfires, and risks to agriculture."

If the state�s global warming strategy is to succeed, however, it must also fend off an auto industry lawsuit to invalidate its landmark 2002 law requiring carmakers to reduce tailpipe emissions of greenhouse gas and cut CO_2 emissions for new vehicles by about 30 percent. And if that law were to be invalidated, California officials will face yet a new challenge: finding other ways to ratchet back emissions to meet the new overall limits it has just enacted.