

California Steps Forward on Climate but Emphasizes a Poor Policy Choice

It may be difficult to be optimistic about what the Trump presidency will mean for environmental policy. Fortunately, U.S. policy consists of more than federal policy, and the picture is considerably brighter at the state level. So, I will endeavor to rescue my readers (and myself) from any collective gloom by focusing on climate policy developments in California, as I did in an op-ed I wrote with Professor Lawrence Goulder of Stanford University published in the *Sacramento Bee* just before the election. Policy developments at the state level are, of course, even more important now than they were then.

This is a critical time for California's climate policies. Recently, Governor Jerry Brown achieved his hope of extending the state's action beyond 2020, the termination date of Assembly Bill 32, the Global Warming Solutions Act of 2006. Whereas AB 32 called for reducing the state's greenhouse gas emissions to 1990 levels by 2020, the newly signed Senate Bill 32 and AB 197 mandate an additional 40 percent reduction by 2030.

That is very impressive, but unless these ambitious goals are pursued with the most cost-effective policy instruments, the expense could be unacceptably high. The governor's targets make it especially important to use a low-cost, market-based approach. A carbon tax is politically infeasible; that leaves cap and trade.

Unfortunately, rather than increasing cap and trade's role, recent proposals in California emphasize the use of less efficient, conventional policies. The environmental justice lobby supports this change, contending that emissions trading hurts low-income and minority communities by causing pollution to increase.

In fact, abandoning cap and trade

would harm these communities by raising costs to businesses and thereby prices to consumers. With cap and trade, the sources able to reduce emissions least expensively take on more of the pollution-reduction effort. This lowers costs and prices.

When the environmental justice community worries about cap and trade, their concern is not about the greenhouse gas emissions that cause climate change: These gases spread more or less evenly worldwide and have no discernible local impact. Rather, it's about co-pollutants, such as nitrogen oxides, carbon monoxide, and particulates, which often are emitted alongside greenhouse gases.

By reducing California's greenhouse gas footprint, cap and trade lowers concentrations of these co-pollutants. Still, it's possible — in theory — for co-pollutant emissions to increase in particular localities. But the best defense against this possibility is to tighten existing laws that limit local air pollution. This would prohibit any trades that would violate such limits.

In principle, the environmental justice lobby's concerns about local air pollution may be on target. A recent report by the U.S. Commission on Civil Rights found that low-income and minority communities face disproportionately high air pollution. But, again, the best response to this situation is to strengthen existing local pollution laws rather than abandon cap and trade.

Moreover, it is not clear that cap and trade shifts local air pollution toward low-income communities. One recent report from the University of Southern California identified emission increases and blamed them on cap and trade. But increased emissions have been due mainly to economic and population growth. And although emissions from some sources did increase, they

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decreased at 70 percent of facilities, according to mandatory reporting to the California Air Resources Board.

The key question, however, is not how emission levels changed, but rather how cap and trade contributed to the change. Without cap and trade, it is likely that any increases in emissions would have been even greater.

Beyond the environmental impacts, it's important to consider economic impacts on these communities. Reducing greenhouse gas emissions tends to raise costs of energy and transportation. Because low-income households devote greater shares of their income to these than do high-income households, virtually any climate policy places greater burdens on those households. Cap and trade minimizes these impacts.

Further, cap and trade offers the government a powerful tool for compensating low-income communities for such economic burdens. Most emission allowances are auctioned and pursuant to SB 535, 25 percent of the proceeds go to projects that provide benefits to disadvantaged communities. This has already amounted to over \$158 million.

Cap and trade serves the goal of environmental justice better than the alternatives, and it deserves a central place in the arsenal of weapons California uses to address climate change. Rather than step away from this policy, the state should increase its reliance on this progressive, market-based approach.