

Historic deal on global warming Governor, Dems agree to force cuts in California greenhouse gas emissions

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(08-31) 04:00 PDT Sacramento -- California will become the first state in the country to require industries to lower greenhouse gas emissions under a deal struck Wednesday by Gov. Arnold Schwarzenegger and Democrats that could dramatically reshape the state's economy.

After weeks of intense negotiations between the administration and legislative leaders, and just a few hours after Schwarzenegger threatened to veto the bill, Democrats and the governor announced an agreement on legislation that sends the state on a markedly different environmental path from the federal government.

By 2020, when industries would have to lower carbon dioxide and other greenhouse gases by 25 percent, solar panels, alternative fuels and electric cars could be commonplace, according to advocates of the legislation.

The deal marks a major political victory for Schwarzenegger, who will use the first-of-its-kind legislation as a centerpiece of his re-election campaign. It was hailed by environmentalists, some business groups and lawmakers as a revolutionary step in the country's nascent efforts to combat global warming. Assembly Speaker Fabian Núñez, who is carrying the legislation, called Wednesday the "most important day of my legislative career."

"The fact is that if we do not do something to stop carbon emissions in this world, we are going to see a diminution of the quality of life and, eventually, all life," declared Senate President Pro Tem Don Perata, D-Oakland, at a celebratory press conference.

The legislation will require all businesses, from automakers to cement manufacturers, to reduce emissions beginning as early as 2012 to meet the 2020 cap. The state's 11-member Air Resources Board, which is appointed by the governor, will be charged with developing targets for each industry and for seeing that those targets are met. The board now will embark on a years-long process to fully develop regulations. The board could impose fees on some industries to pay for new programs that could do everything from requiring truckers to use bio-diesel fuels to forcing farmers to handle animal waste differently.

The board is likely to set up a trading system that will allow companies to buy and sell emission credits, which would allow a company that made more emission reductions than required to sell credits to another business that hasn't reached its emission goal.

While some business groups argued that a cap on greenhouse gas emissions would hurt the economy and drive up energy prices, both the governor and

Democrats have long agreed on the main principles of the bill. But differences on a few points threatened to kill a deal, and the agreement came Wednesday only after sometimes-tense talks involving the administration, Democrats, environmentalists and businesses of all kinds.

Núñez was seen screaming at a Senate staffer about the bill in a crowded Capitol hallway Monday. The measure went through more than 30 drafts in the past two weeks, as various groups demanded changes. In the end, Schwarzenegger agreed to a deal after Democrats warned him Wednesday that they would not accept any further alterations.

As late as Wednesday morning, the governor and aides were telling some in the Capitol that they would veto the bill, but a few hours later they announced they were happy with it. Democrats believed the governor would not veto the bill in its latest incarnation for fear of looking like a hypocrite -- he had, after all, announced greenhouse gas reduction goals for the state last year in a major speech in San Francisco.

Schwarzenegger had insisted on creating an escape clause that would allow for a delay in the deadlines in case of a natural or economic disaster. He got that.

The governor also demanded that the bill require that a trading system be created to help industries meet the targets. While the final version of the legislation points the way toward a trading system, some argued it was not specifically required and that the governor did not get what he wanted.

British Petroleum announced late Wednesday it would not support the bill because it seemed unclear as to whether a trading system would actually develop.

The legislation was expected to be voted on in the state Senate late Wednesday and in the Assembly Thursday, the last day of the legislative session. The majority Democrats have enough votes to pass the bill on their own and it was clear Wednesday that Schwarzenegger would win little support from Republican lawmakers.

Assembly Republican Leader George Plescia of San Diego condemned the agreement shortly after it was announced.

"Adopting costly and unattainable regulations will drive businesses and jobs out of California into other states -- and even into other countries with no commitment to improve air quality," he said in a statement.

The legislation split the business community, with the state Chamber of Commerce leading the opposition.

But some venture capitalists and businesses, including Pacific Gas and Electric Co., support the bill and argue it will be a boon to the economy by creating an entirely new clean-tech sector that could rival the high-tech boom.

"Both the environment and the economy win," said Andrew Michael, vice president of sustainable energy for the Bay Area Council, a business group that includes the 275 largest employers in the Bay Area.

Michael argued that new companies developing environmentally clean technologies will create jobs in California, and companies could save money by becoming more energy efficient.

-- Allow the governor to delay the deadline for up to one year in the event of natural disasters or other extraordinary circumstances.

When he signs the bill next month, Schwarzenegger will take action on an issue that has largely been ignored by President Bush and Congress. Supporters of the legislation noted that California has often led the way in making major environmental changes and they predicted other states would pass their own versions of the new law. Illinois lawmakers spent an hour with one of the bill's authors, Assemblywoman Fran Pavley, D-Agoura Hills, last week asking questions about the bill, Pavley said Wednesday.

"This is the tipping point in the country's climate-change debate," predicted Bob Epstein, head of the business group Environmental Entrepreneurs.

What it does

California's groundbreaking global warming legislation would:

-- Require a 25 percent reduction in greenhouse gas emissions by 2020.

-- Require the state's Air Resources Board to be the lead agency in developing caps and regulations for industries.

-- Require the board to develop rules for a cap and trade system, which would allow companies to buy and sell emission credits in order to reach industry-wide caps.