Southern California Leadership Council

Green House Gas
Position Summary

- California is already a global leader in GHG reduction. As the 8th largest economy in the world we are only 18th in GHG emissions due to more than 25 years of efforts to reduce air emissions and improve energy efficiencies.

- Now, under AB 32, California has voluntarily committed to roll back its GHG emissions to 1990 levels by the year 2020 using a "comprehensive market-based compliance program".

- This is a formidable undertaking considering population growth by 2020 is expected to add 6.4 million more people, a 48% increase since 1990; and goods movement activity resulting from nationwide import demand is expected to triple.

- The largest sectors of GHG emissions in California are electric production, construction, transportation and manufacturing. Direct and indirect contributions from major GHG sectors account for 49% of Gross State Product (39% in Southern California).

- California's GHG targets will impose costs on California residents and businesses and threaten job losses and reduced economic output if not pursued wisely. Definitive cost estimates depend on the form of California's GHG regulations and whether other states and countries also undertake aggressive GHG goals. The LAEDC does not agree with the assertions of some that this will be a "cost free" effort.

- California's leadership on GHG reductions can best be achieved through the use of market-based policies which cause emitters to internalize the social costs and therefore the social benefits of GHG emission reductions. Imposing too high a "price" on emissions, however, runs the risk in a global economy of seeing capital and resources reallocated outside the state by businesses seeking to lower costs to remain competitive. This is especially true in the manufacturing sector, where California continues to lead the nation. If manufacturers move to another state or country, the GHG emissions may simply move with them.

- It is essential that along side our GHG policies California redouble its economic development efforts to attract and retain green jobs offered by greener businesses. Without the tax revenues from a strong business and jobs base, California will lack the resources to develop and adopt new, more effective GHG applications and technologies. An expanded R&D tax credit focused on GHG efficiencies and new technologies is one example of an enlightened approach.

- The LAEDC and SCLC believe market-based approaches rather than tax-based schemes will be more effective in achieving California's GHG goals, so long as market-based mechanisms eliminate "gaming" and enable the market, rather than government, to choose the most cost-effective strategies from a capital, resources and bottom line perspective. Business views taxes as only one thing--costs--while use of capital and resources can be viewed by business as investment strategies aimed at efficiencies and product improvements.

- Even if California achieves its GHG goals, the challenge of global warming will not be addressed unless the remainder of the world does the same. California's greatest contribution to addressing this issue should be to show the rest of the world how GHG emissions can be reduced smartly, cost-effectively, and in a manner which retains or improves a state's or country's global economic position. This has the best potential to create “smart followers” of California’s GHG efforts and thus a global solution.