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## **Proposition 23 and the damage it would do to California**

**Setting aside the state's climate change law would damage the state's green economy and imperil California's commitment to fighting greenhouse gas emissions.**

By Daniel Farber and Richard Frank

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In November, California voters will make a key decision about the state's climate change policy, with long-term impacts on our economic future. A ballot initiative, Proposition 23, would suspend California's Global Warming Solutions Act, better known as AB 32. The measure was enacted by the Legislature in 2006, with the strong support of Gov. Arnold Schwarzenegger.

AB 32 requires the state to reduce its greenhouse gas emissions to 1990 levels by 2020, about 30% below projected emission levels if AB 32 were not in effect. It was intended to strengthen and coordinate earlier California laws addressing climate change. But Proposition 23 would place current AB 32 measures in limbo and prevent any new ones until the state achieves a dramatic level of sustained economic prosperity — four consecutive quarters of unemployment below 5.5%.

Proponents of Proposition 23 argue that going forward with AB 32 in the midst of the current recession would further damage the state's economy and eliminate jobs. But a study we recently coauthored reveals major pitfalls in Proposition 23.

The study, sponsored by the UC Berkeley law school's Center for Law, Energy & the Environment, concludes that the initiative would disrupt climate change efforts in California, eliminate green jobs, chill energy investments by regulatory uncertainty and create unfair differences in the treatment of various business sectors.

Our first finding shows that Proposition 23 supporters are playing fast and loose with the facts. They contend that the initiative merely creates a short-term hiatus for AB 32. But the 5.5% unemployment level specified in Proposition 23 has only occurred three times since California began maintaining those statistics 35 years ago. So what is being sold as a short-term "suspension" of AB 32 looks more like a backhanded repeal. And any such hiatus would effectively give California businesses and state and local government officials less time to meet the ambitious, necessary and achievable 2020 emission reduction targets, should the state's unemployment rate eventually drop enough to restart AB 32.

Supporters of Proposition 23 cite a separate UC Berkeley study to stoke public fears about job losses. Our economist colleagues who wrote that study are outraged at this attempt to "misquote and misconstrue our work, which concluded that successful implementation of AB 32 will provide tremendous economic opportunities for California."

Second, Proposition 23 would undermine California's critical role as a national and international leader on climate change issues. Washington has done precious little to address the multifaceted challenges posed by U.S. greenhouse gas emissions and the environmental havoc they precipitate. California has stepped into the

breach with innovative measures dealing with motor vehicles, car fuels and renewable energy. AB 32 melds those individual measures into a coherent, long-term strategy.

For California to retreat on the climate issue now would send a defeatist message nationally and worldwide. It's true that other climate measures would remain on the books, but suspending AB 32 would be like benching a football team's quarterback while leaving the other players leaderless on the field.

Third, Proposition 23 would have an uneven impact on California businesses. It would be a windfall for some sectors that would escape regulation, including the two Texas-based oil companies that are primarily financing the initiative. (Out-of-state oil companies have already donated more than \$8 million to the pro-Proposition 23 campaign.) Other industries, including automakers and real estate developers, would still be subject to climate change regulation measures that could become more stringent on those sectors without the more broadly based climate change reforms contemplated under AB 32. Proposition 23 would also create uncertainty for regulated businesses and officials charged with implementing climate change laws, creating fertile ground for future litigation.

Fourth, passage of Proposition 23 would result directly in job losses in California's vibrant clean energy sector, one of the few industries that continues to prosper even in these tough economic times. In 2008 alone, California received \$3.3 billion in venture capital for clean technology. UC Berkeley energy professor Dan Kammen, another coauthor of our study, notes that the clean-tech sector of our state's economy — driven by California's environmental leadership and entrepreneurial business community — has exhibited a growth rate more than four times greater than the state average. Proposition 23, by contrast, would limit public and private incentives to invest in a low-carbon economy in California.

In an era when California government is often called a model of dysfunction, our state's climate change and renewable energy policies stand out as one example of visionary, effective public policymaking. Proposition 23, if passed in November, would substantially undermine California's impressive leadership and progress on the climate change, green jobs and renewable energy fronts.

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