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California air board set to adopt cap-and-trade program

Officials hail the program as flexible and sensitive to economic conditions. It would begin in 2012 by capping emissions from the 600 biggest industrial facilities.

By Margot Roosevelt
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California regulators Thursday are expected to adopt the nation's most comprehensive carbon trading regime, creating a market-based way to lower greenhouse gas emissions at a time when similar efforts have stalled in Congress.

The program is the centerpiece of the state's 2006 global warming law, which aims to slash carbon dioxide and other planet-heating pollution to 1990 levels by 2020. That would amount to a 15% cut from today's level.

The cap-and-trade system "will help drive innovation, create more green jobs and clean up our air and environment," said California Air Resources Board Chairwoman Mary D. Nichols, adding that it "provides flexibility" to industry and takes "into consideration the current economic climate."

Carbon dioxide emissions, mostly from burning fossil fuels, are trapping heat in Earth's atmosphere, spurring changes in the climate. Scientists say California has begun to experience the effects, with hotter temperatures, rising sea levels and the melting of the Sierra snowpack, which provides fresh water for cities and farms.

Under the state's cap-and-trade plan, emissions from the 600 biggest industrial facilities, including cement manufacturers, electrical plants and oil refineries, would be capped in 2012, with that limit gradually decreasing over eight years in an effort to encourage energy efficiency and renewable sources of power.

Companies would be granted "allowances" for each metric ton of greenhouse gas they emit, and they could trade unused allowances among themselves to cut costs.

California's climate regulations already include rules to increase the fuel efficiency of cars, cut the energy intensity of gasoline and require that a third of the state's electricity come from solar, wind and other renewable sources.

After 40 public hearings in which companies complained that the proposed rules were too onerous, the air board loosened key aspects of the final draft, citing the recession-plagued economy. Critics, however, say the plan is too weak.
In its most controversial decision, the board ignored the advice of a panel of prominent economists it had convened earlier this year, which advised auctioning most of the greenhouse gas allowances from the start, rather than giving them out for free.

The state could use the proceeds from selling allowances to offer consumers incentives to invest in energy efficiency, and to combat the effects of industrial pollution in poor neighborhoods.