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## AB 32: California's Framework for Change

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The State of California made itself a global leader in climate change with the passage of Assembly Bill 32, known as the Global Warming Act of 2006. The law requires a reduction in greenhouse gas emissions to 1990 levels by 2020 through across the board reductions in carbon emissions and encouraging sustainability and green practices.

On June 26, 2008, the California Air Resource Board ("CARB") released an ambitious draft scoping plan for implementing the emissions reductions required by AB 32. The plan entails cutting approximately 30 percent from business-as-usual emissions levels projected for 2020, or about 10 percent from today's levels. If adopted, the current draft will outline the policies used to reduce greenhouse gas emissions.

The draft scoping plan deploys a variety of market mechanisms to reduce emissions, ranging from a government cap and trade policy, direct regulation fees, voluntary measures and more to achieve the steep emissions cuts starting in the year 2012.

The central component of the plan is an ambitious cap and trade program designed to cap emissions from electrical generation, transportation, as well as commercial, industrial, and residential sources to a predetermined

level of emissions. CARB will also work with the Western Climate Initiative (WCI), a coalition of western states and Canadian provinces, to prevent "leakage", the shifting of emissions from California to sources outside the state. Sources within the cap and trade program will need to meet regulatory requirements, but will then have the flexibility to reduce emissions further or purchase allowances to cover their compliance obligations.

Without a doubt, AB 32 poses a huge challenge for manufacturers and other California businesses. Many view the plan to have excessive command and control measures and it appears that the electric energy sector will bear a significant burden. Indeed, to achieve these reductions, the state will impose regulations that are likely to raise compliance and operating costs on many manufacturing inputs. However unpleasant these costs are, they would appear to be inevitable and unavoidable. AB 32 will require changes to be made and companies with planning and forethought will come out ahead of those still in denial. Without prompt preemptive action to reduce the greenhouse gas emissions, the cost today to achieve reductions will pale in comparison to the consequences of apathy.

The plan also provides significant savings for households and businesses. More efficient homes and buildings will require less energy to heat cool, while cars and trucks that use less fuel will drive down the cost of utility bills and countless other costs. Thus, while utility rates will go up, overall consumer bills



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may go down. Energy efficiency improvements translate into about \$200 of savings per year for each homeowner, as well as benefitting business owners by reducing per-square foot energy costs by as much as 40 percent.

Cities, counties, and redevelopment agencies have an opportunity to play a large role by focusing on transit-oriented development and urban in-fill projects. Indeed, with the recent announcement regarding the consensus reached on SB 375, the Sustainable Communities bill, land use decisions will be central to reducing Vehicle Miles Travelled (“VMTs”), irrefutably the biggest culprit in greenhouse gas emissions.

Not only does the emissions cap provide greater savings, but also drives significant investment and job growth. Addressing climate change provides a strong incentive for investment in technologies and environmental efficiency, and as California continues to improve its environmental record, this trend will continue. These investments will translate directly into job growth. A recent study by UC Berkeley found that investments in green technologies produce jobs and a higher rate of return than investments in comparable conventional technologies. AB 32 will only accelerate this trend.

The plan will also provide a wide range of public health and environmental benefits anticipated from reducing greenhouse gases upwards of \$2 billion in 2020, including fewer premature deaths, fewer asthma-related symptoms, fewer work days lost, and far

fewer restricted activity days.

Many stakeholders have submitted comments regarding the draft scoping plan and it remains to be seen how it will actually develop. In the end, successful implementation of AB 32 will depend on a growing commitment by a majority of companies to include climate change as an integral part of their planning and operations.



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