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JULY 19, 2016 NEWS & OPINION » NEWS

Beyond Cap-and-Trade: Many Environmentalists Say California Will Improve Climate Policy If It Reduces Emissions at Source

Gov. Jerry Brown has so far been unable to muster two-thirds of state legislators to vote to extend the program beyond its current 2020 expiration.

By *Will Parrish*



GEORGE JOHNSON/FILE

Environmentalists say cap-and-trade doesn't cut enough emissions in the East Bay.

California's cap-and-trade program is a cornerstone of the state's effort to curb greenhouse gases. But it's also in crisis.

Faced with Republican opposition, Gov. Jerry Brown has so far been unable to muster two-thirds of state legislators to vote to extend the program beyond its current 2020 expiration.

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Meanwhile, the latest auction of carbon-dioxide-emission allowances in May, which was supposed to generate more than a half-billion dollars for politicians to spend, brought in a paltry \$10 million, as the California Air Resources Board sold a tiny fraction of the allowances it was offering.

The governor has negotiated with oil-industry leaders about the possibility of scaling back some of California's climate-change programs in exchange for the industry's support for extending cap-and-trade, the *Los Angeles Times* reported earlier this month. And the Western States Petroleum Association, the main lobbying group for oil corporations in six western states, is especially keen on repealing California's low-carbon-fuel standard, which is the world's first regulatory program to require oil suppliers to slash the carbon footprint of their motor fuel.

But environmentalists are urging Brown not to "send the state's climate change policies backward," as Amy Vanderwarker, a co-director of the Oakland-based California Environmental Justice Alliance, put it. She and other advocates say cap-and-trade's recent stumbles actually open the door to far better climate change policies.

For instance, her organization is supporting Assembly Bill 197, introduced in June by Assemblymember Eduardo Garcia, a Democrat from Coachella. The proposed law deals at once with emissions, public health, and eco-injustice, activists say. It also encourages direct emissions reductions by the state's oil refineries, fossil-fuel power plants, and other major industrial emitters, as well as from the transportation sector.

"The keys to addressing climate change and the environmental-health crisis in communities of color are fundamentally the same, and we're pleased that Assemblymember Garcia's bill recognizes that basic connection," Vanderwarker said.

Under cap-and-trade, the number of metric tons of carbon-dioxide emissions allowed in the state is capped, and the allowable levels of pollution are steadily reduced, creating an economic incentive for companies to cut emissions

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Industrial entities then buy and sell pollution "allowances," which lets pollution increase in one area of the state — often in low income and minority communities — so long as it decreases it somewhere else. California's version of cap-and-trade also lets companies avoid regional pollution reductions by purchasing a certain number of "offsets" from carbon-saving projects elsewhere in the United States or in Quebec.

But dozens of unregulated toxic chemicals are co-emitted with greenhouse gases, a fact that critics say cap-and-trade fails to address and that perpetuates environmental racism, since most of those living alongside these polluting installations are low-income people of color.

"When an oil refinery wants to expand under cap-and-trade, they buy cheap allowances or offsets from somewhere else, and the people who live in the vicinity get stuck with the pollution," explained Brent Newell, a staff attorney at the Center on Race, Poverty, & the Environment. "It's a way of saying to these communities: 'You have to get in the back of the bus. You have to subsidize these major polluting industries with your lungs.'"

Mari Rose Taruc of Oakland, a longtime director with the Asian Pacific Environmental Network, was part of a broad coalition that opposed cap-and-trade prior to its inception. "Environmental-justice communities do not consent to offsets. And I do not consent for my children's lungs to be polluted even more so these industries can go buy offset credits somewhere else," said Taruc, who is raising two children suffering from asthma.

A March study by CEJA found that the leading purchasers of offsets under California's cap-and-trade program from 2013-14 include several companies that operate in the Bay Area, such as Chevron, Calpine, Shell, and Tesoro. For example, Calpine's natural gas-fired power plant in Pittsburg has increased its greenhouse-gas emissions by more than 20 percent since 2011, but has used forests in North California and methane digesters on cattle ranches in Indiana to offset pollution increases.

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An even more fundamental problem, environmentalists say, is that California's cap-and-trade program is designed to ensure that it remains cheaper for oil and gas companies to continue burning fossil fuels than it would be to eliminate them.

Cap-and-trade proponents, by contrast, view the program as a balanced way of reducing pollution without unduly harming businesses and consumers. "Cap-and-trade helps ensure that the state and ratepayers don't bear the costs" of greater expenses to industry, CARB spokesman Dave Clegern wrote in an e-mail. "Businesses also maintain flexibility in how they make actual reductions, which can improve their bottom line and keep the jobs they provide in California."

According to a 2015 federal-government study, a ton of carbon emissions causes \$37 in economic damage, in terms of decreased agricultural yield, harm to human health, and lost worker productivity. A study last year by Stanford University's School of Earth Sciences placed the figure at \$220 per ton. Yet the cost under California cap-and-trade has hovered between \$11 and \$14 per ton. Assemblymember Garcia's bill features a provision that calls on CARB to consider the full social cost of carbon emissions in future regulatory decisions.

Fossil-fuel industries have offered mixed signals concerning current positions on cap-and-trade. In some situations, they have opposed the program on the grounds that it increases the cost of doing business.

But whenever threatened by more stringent regulations that go beyond cap-and-trade, industry leaders have spoken in favor of the program, with Western States Petroleum Association president Catherine Reheis-Boyd stating in a presentation to New Mexico oil-and-gas producers that her organization favors "a well-designed cap-and-trade program as a feasible and balanced approach to addressing GHG emissions."

In addition to encouraging at-source emissions reductions, SB 197 would create a Joint Legislative Committee on Climate Change Policies consisting of three members of the Senate and Assembly each, who would provide greater oversight of CARB as part of an

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effort to increase that board's transparency and accountability. Environmental justice groups and numerous other environmental groups have often complained about the agency's lack of responsiveness to their concerns.

These groups have already scored a minor victory amid the uncertainty about cap-and-trade's future. As the *Express* reported in January, the state's leaders have been pushing to become the only jurisdiction in the world that offsets its climate pollution through investments in tropical forest regions in the Southern Hemisphere. The common name for such efforts is REDD.

CARB had planned to have a vote on linking its cap-and-trade program to Acre, Brazil, as early as spring 2017. But the agency issued a draft proposal last week to expand the greenhouse-gas cap-and-trade program beyond 2020, and this proposal does not include an international forest offset provision — a decision that postpones, but does not ultimately rule out, such a move.

Ninawa Huni Kui is a 35-year-old traditional indigenous leader of the Huni Kui people of forest-rich state of Acre in northern Brazil. In a conversation earlier this year via a Portuguese interpreter, his arguments against REDD offsets were reminiscent of California-based environmental-justice advocates that support on-site emissions reductions at polluting facilities rather than cap-and-trade.

"Our perception of California is that they are coming here to deal with their own environmental problems, and they should be solving those at home," Huni Kui said.

In addition to SB 197, environmental-justice groups are backing Senate Bill 32, introduced by state Sen. Fran Pavley, a Democrat from Los Angeles. This bill would require a 40 percent reduction in greenhouse-gas emissions relative to 1990 levels by 2030. Each of these bills require simple majority votes.

But nothing is ever simple when it comes to emissions-reductions in California.