

California Climate Change Policy: Is It a Cost-Effective Approach?

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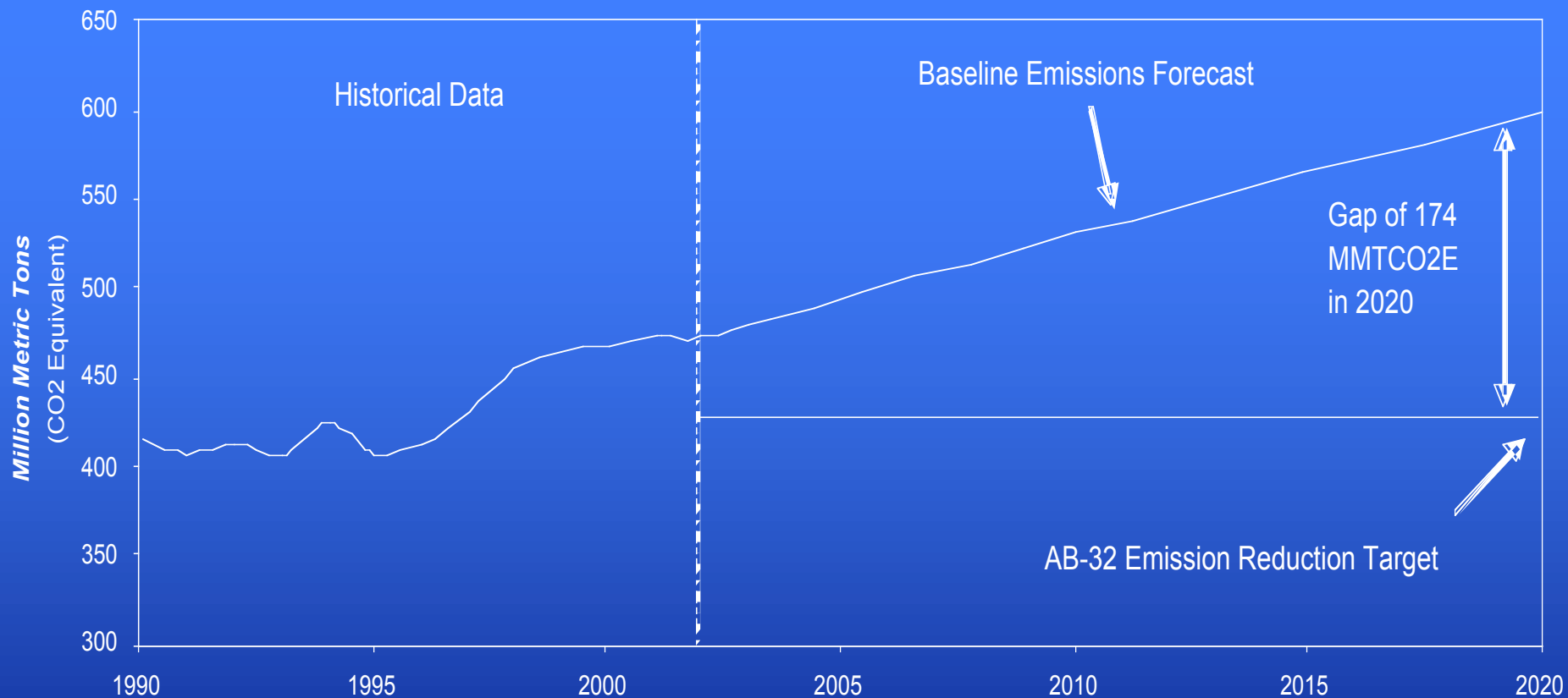
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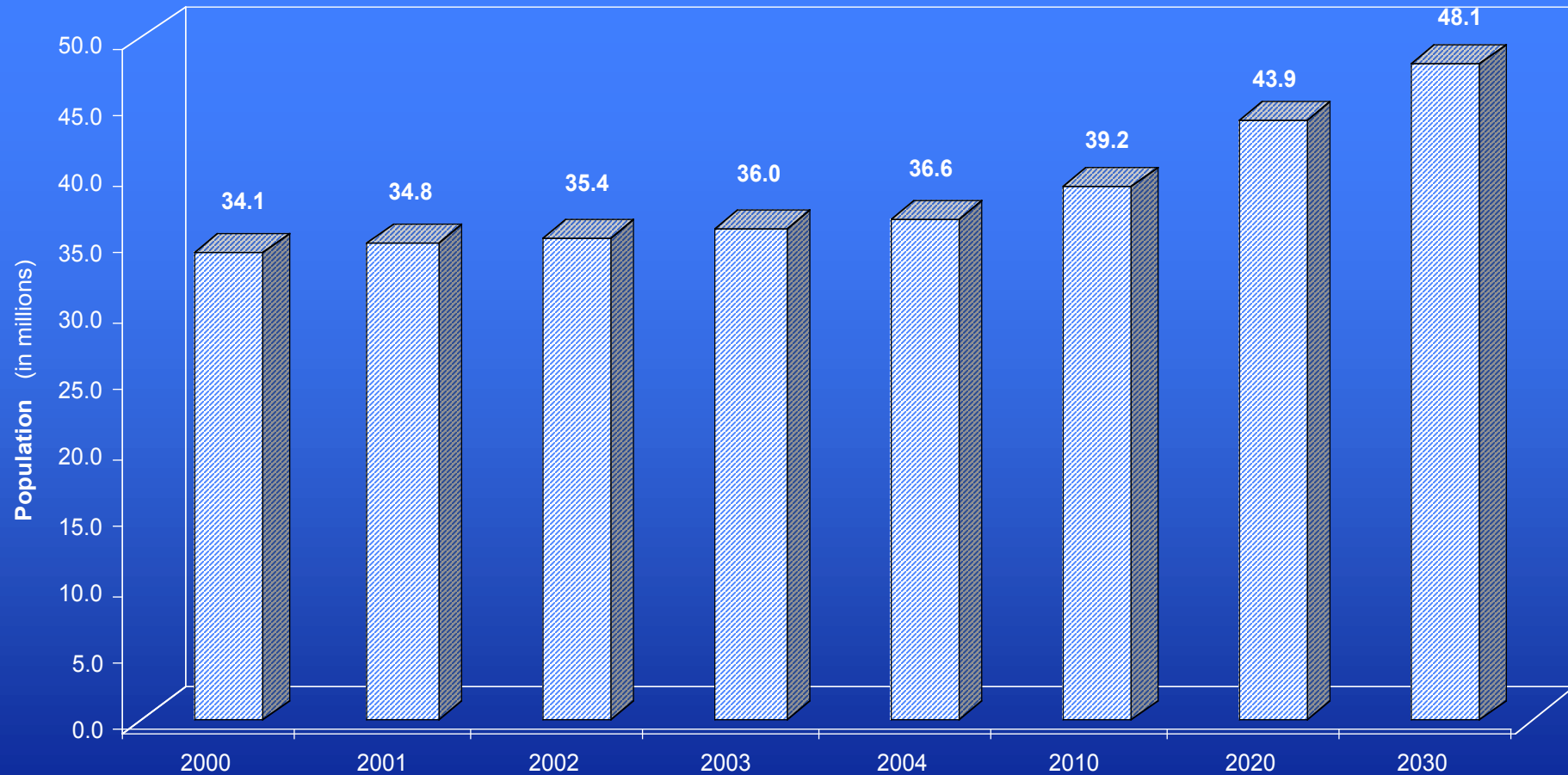
Challenge Posed by AB 32 to California: California Carbon Dioxide Emissions



Sources: Historical Data: Gerry Bemis and Jennifer Allen, "Inventory of California Greenhouse Gas Emissions and Sinks: 1990 to 2002 Update", June 2005.

Baseline Emissions Forecast: Baseline forecast includes the California Energy Commission's projections of anticipated energy efficiency improvements. Source for 2010 and 2020 forecasts is California Environmental Protection Agency, "Climate Action Team Report to Governor Schwarzenegger and the Legislature", March 2006, pg 64.

Population Projections for California



Source: State of California, Department of Finance, Population Projections, Projections by Race/Ethnicity for California and Its Counties 2000-2050, Sacramento, California, May 2004.

California's Per Capita Emissions Under Baseline Forecast and Decrease Required for AB 32 Target

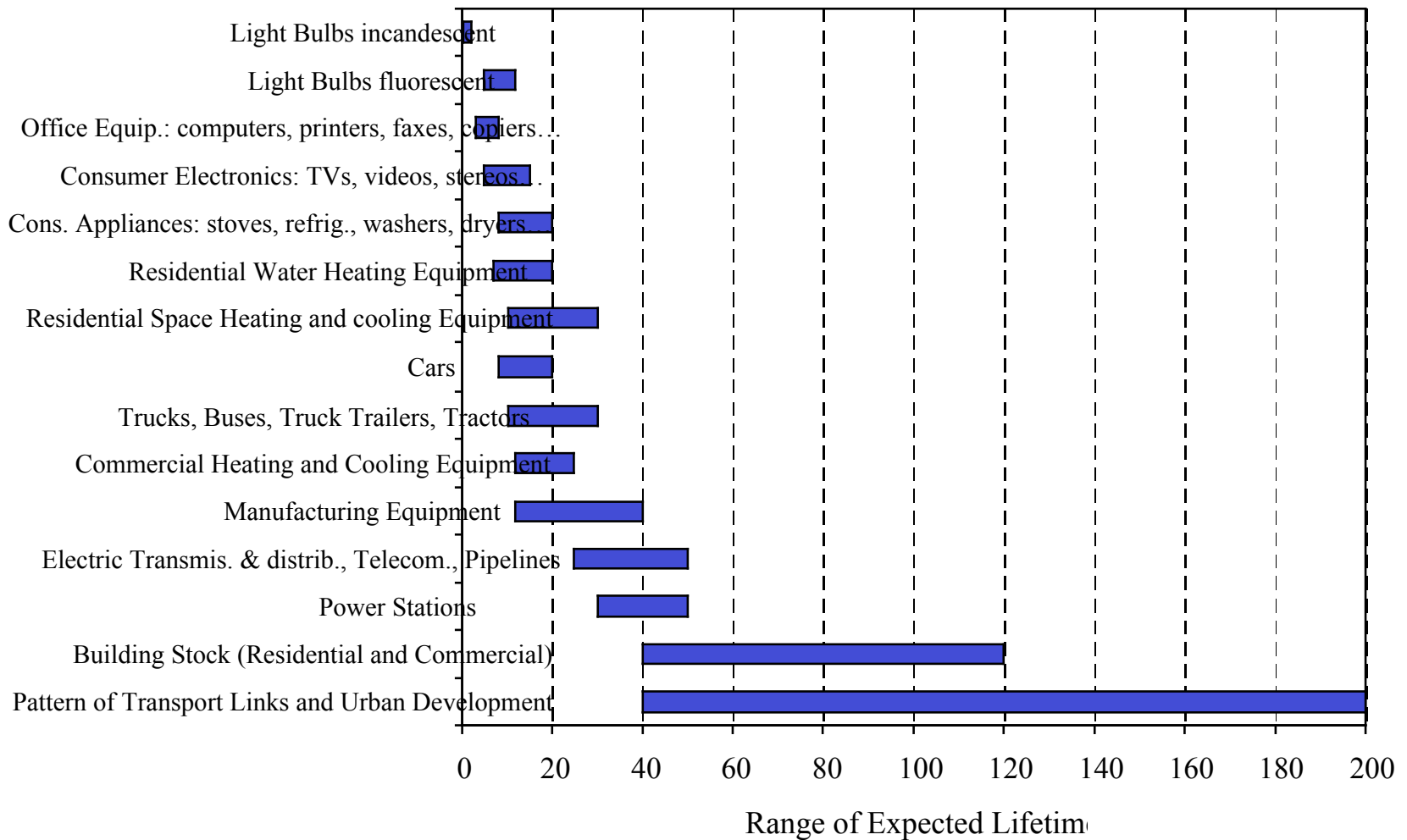
Year	Emissions (MMTCO2E)	Population (Millions)	Per Capita Emissions	Percentage Change	AB 32 Emissions Target (MMTCO2E)	Required Per Capita Emissions	Percentage Change
1990	426	29.83	14.28				
2000	473	34.10	13.87	-2.9%	473	13.87	
2010	532	39.25	13.56	-2.3%	473*	12.05	-13.1%
2020	600	43.85	13.68	0.9%	426	9.71	-19.4%
			2000-2020	-1.4%			-30%

Source: CalEPA, Climate Action Team Report to Governor Schwarzenegger and the Legislature, March 2006, Table 5-5 Baseline Inventory Estimates (pg 64). * Note that while AB 32 does not contain an emission reduction target for 2010, the CAT report does.

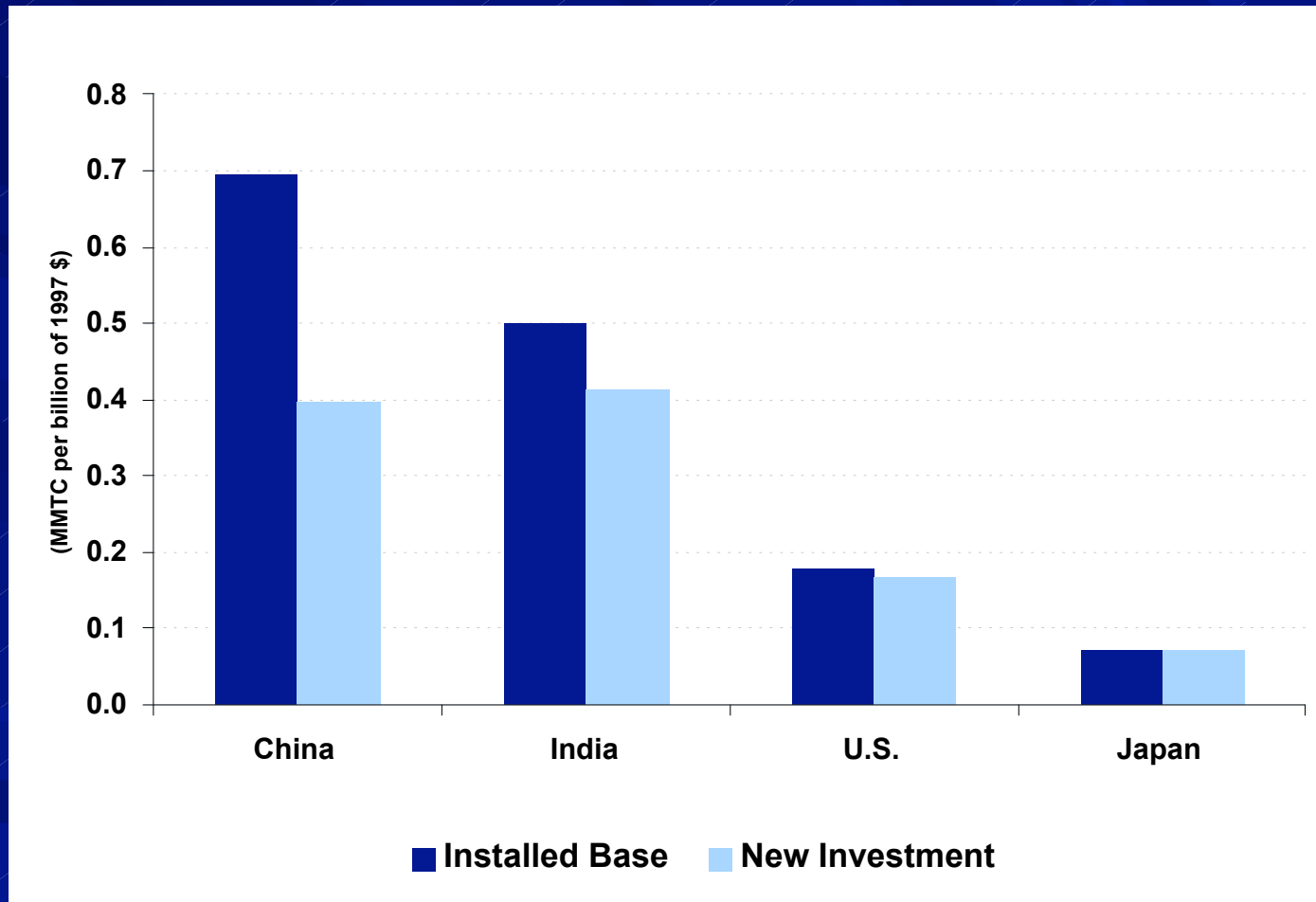
AEI-Brookings Joint Center for Regulatory Studies Documents California's Climate Policy Modeling Errors

- **Ignoring costs of energy investments to households and business**
- **Inaccurate estimates of future saving from reduced energy use**
- **Incorrect choice of discount rate to value energy saving**
- **Underestimation of costs of policies to reduce emissions**
- **Incorrect estimates of consumer baseline behavior**
- **Costs to Californians understated by billions of dollars annually**

Average Life Spans for Selected Energy-Related Capital Stock



Greenhouse Gas Emissions Associated with Existing and New Investment in 2001 (Million tons Carbon per \$Billion of GDP)



Practical Strategies to Address Energy Needs, Economic Growth and Climate Change Policy

- ❑ **Use cost / benefit analysis before adopting policies**
- ❑ **Remove barriers to developing world's access to more energy and cleaner technology by promoting economic freedom and market reforms**
- ❑ **Increase R&D for new technologies to reduce energy intensity, capture and store carbon, and develop new energy sources**
- ❑ **Promote nuclear power for electricity**
- ❑ **Expand bilateral cooperation with developing countries**
- ❑ **Promote a truly global solution such as the new Asia Pacific Partnership on Development with its focus on economic growth and technology transfer**