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

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


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

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Emissions (MMTCO2E)</th>
<th>Population (Millions)</th>
<th>Per Capita Emissions</th>
<th>Percentage Change</th>
<th>AB 32 Emissions Target (MMTCO2E)</th>
<th>Required Per Capita Emissions</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>426</td>
<td>29.83</td>
<td>14.28</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>473</td>
<td>34.10</td>
<td>13.87</td>
<td>-2.9%</td>
<td>473</td>
<td>13.87</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>532</td>
<td>39.25</td>
<td>13.56</td>
<td>-2.3%</td>
<td>473*</td>
<td>12.05</td>
<td>-13.1%</td>
</tr>
<tr>
<td>2020</td>
<td>600</td>
<td>43.85</td>
<td>13.68</td>
<td>0.9%</td>
<td>426</td>
<td>9.71</td>
<td>-19.4%</td>
</tr>
</tbody>
</table>

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