



## **e<sup>2</sup> energy “State of Resolve”**

### Background Essay

California has been at the forefront of national and global environmental policy for years, through Democratic and Republican administrations and during boom and bust economies. Whether it's because they are outdoorsy people, born-activists, or the first U.S. victims of a smog problem, the fact remains that Californians are innovators and have consistently led the country in environmental matters. As early as 1947, well before the federal government's Clean Air Act of 1963, California Governor Earl Warren signed into law the Air Pollution Control Act, calling for the establishment of an Air Pollution Control District in every county of the state to protect local citizens from the harmful effects of air pollution.

Given this history of environmental leadership, the policies passed in California in 2006 should come as no surprise, but their range, practicality and aggressiveness are remarkable even for this progressive state. This episode will examine the two landmark bills passed in 2006 that are designed to regulate the state's greenhouse gas emissions: Assembly Bill 32, California's Global Warming Solutions Act and Senate Bill 1368, a companion bill to Assembly Bill 32, as well as revisit some of the legislation that led to them.

The essence of these two bills is that California has mandated a 25% reduction of greenhouse gas emissions by 2020 and the state will also not import energy that fails to meet these same emissions standards. The first bill (AB 32) is vast in its reach and authorizes the California Air Resources Board to begin the process of measuring the amount of CO<sub>2</sub> and other greenhouse gases coming from emitters (power plants, industries, even vehicles) and to ultimately enforce limits with financial penalties. The law also authorizes market-based emissions trading, where and when it is appropriate, to achieve the maximum gains at the lowest cost. Essentially the “cap and trade” emissions trading model allows the emitters with the lowest emissions to hold that reduction as credit and sell it to an emitter that is still above the limit, making it more profitable to reduce emissions even beyond the mandated limits.

Governor Schwarzenegger released the following statement regarding the deal struck between the Administration and the legislature on AB 32: “We can now move forward with developing a market-based system that makes California a world leader in the effort to reduce carbon emissions. The success of our system will be an example for other states and nations to follow as the fight against climate change continues. AB 32 strengthens our economy, cleans our environment and once again, establishes California as the leader in environmental protection.”



Now the question on environmental activists' minds is, "will the federal government follow California's lead?"

To find out more about the Federal Clean Air Act visit [www.epa.gov/air/caa/](http://www.epa.gov/air/caa/)

To find out more about the CA Air Resources Board visit [www.arb.ca.gov](http://www.arb.ca.gov)



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### PRE-VIEWING QUESTIONS

1. What is a government subsidy? Can you give some examples of government subsidies? How do these subsidies affect the industry involved?
  2. Why are there state policies and federal policies? Do they always have the same goals? Why or why not?
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### POST-VIEWING QUESTIONS

1. What is the timeline for the implementation of AB 32, California's Global Warming Solutions Act to achieve the goal of a 25% reduction in greenhouse gas emissions by 2020?
2. What important requirement does the companion bill, SB 1368, mandate for the energy that California imports from out of state? In what ways will this mandate encourage innovation?
3. What reasons do federal authorities cite for choosing not to implement these policies nationwide? Do you agree with these reasons? Why or why not?