

California proposes a global-warming fee on businesses

BAY AREA FIRMS WOULD BE CHARGED BASED ON EMISSIONS

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Mercury News

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In the first such program in California, and perhaps the United States, Bay Area air pollution regulators are proposing to charge an annual fee to thousands of businesses based on the amount of greenhouse gases they emit.

The fee - 4.2 cents per metric ton of carbon dioxide - would affect everything from oil refineries to power plants, and landfills, factories and small businesses like restaurants and bakeries.

The largest emitter of greenhouse gases in the Bay Area, the Shell oil refinery in Martinez, would pay \$186,475 a year for its 4.4 million annual metric tons of emissions. The largest emitter in Santa Clara County, the Hanson Permanente Cement Plant in Cupertino, would pay \$44,507 a year for its 1.05 million tons.

After years of voluntary measures, the fees, proposed this week by the Bay Area Air Quality Management District, set a precedent as the first time that businesses and government agencies would face financial consequences for contributing to global warming. If successful, the fees could be copied all over the state and country, perhaps ultimately at much higher prices.

"The climate is changing, and we think that everybody needs to help with the solution and pay their fair share to reduce greenhouse gases," said Jack Broadbent, executive officer of the Bay Area Air Quality Management District in San Francisco.

"This is the next step in addressing the problem. The public is demanding that we be part of the solution."

The air district, a state agency, for the past 50 years has regulated smog in the nine counties around San Francisco Bay - Santa Clara, Alameda, Contra Costa, Marin, San Francisco, San Mateo and Napa, and portions of southwestern Solano and southern Sonoma counties.

The air district's board will begin discussing the rule as early as late February and could take a final vote by May.

Almost certain to draw controversy and national attention, the proposal is designed to raise \$1.1 million a year, Broadbent said. It is not a "carbon tax," but a cost recovery fee, he said, because the money would not go into a general fund, but would be used instead to pay for the air district's global-warming-reduction programs.

The proposal also is being closely watched around the state, since it would represent the first time that companies have been hit with fees based on their greenhouse gas emissions. Nearly every program in

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the United States to reduce greenhouse emissions has been voluntary to date.

Environmentalists Friday called the proposal a watershed event.

"There are costs associated with emitting carbon dioxide, and the people who emit it should pay the costs," said Carl Pope, national executive director of the Sierra Club.

Pope noted that in April the U.S. Supreme Court ruled that carbon dioxide is a pollutant that can be regulated under the Clean Air Act just like other chemicals that cause smog. That changes everything, he said.

"That ruling is going to trigger a whole series of regulatory responses like this," Pope said. "This is the first one that has a fee associated with it. You are going to see fees, and emissions standards, and permits for coal-burning power plants turned down. The country has now decided we are going to clean up carbon dioxide like we clean up other types of air pollution."

Industry officials reacted warily to the plan.

Tupper Hull, a spokesman for the Western States Petroleum Association in Sacramento, said hitting oil refineries and power plants with fees could end up hitting consumers in the pocketbook.

"This proposal will raise the cost of producing energy and fuel for California consumers, and at a time when consumers have concerns about what they are paying," he said. "We can't say how much that is, but it is a significant concern."

Hull also said that if some of the other 30 air districts in California - or cities or counties - begin copying the idea, the state will have a confusing

patchwork of rules right at the time it is trying to craft a statewide solution to global warming under a law signed by Gov. Arnold Schwarzenegger two years ago.

Under the proposal, all 10,000 "stationary sources" of air pollution that the air district regulates would be subject to the fee, including businesses and government agencies. They would pay it annually as part of getting their overall air quality permit renewed. Small businesses would pay perhaps \$10 or less. Large businesses that burn lots of fuel and use large amounts of energy would see costs in the tens of thousands of dollars.

The fee does not affect homeowners or motor vehicles.

Of the 10 largest greenhouse gas emitters in the Bay Area, five are oil refineries in the Martinez-Richmond area, and four are large power plants in the same area. Only one, the Hanson Permanent Cement plant in Cupertino, isn't a power plant or oil refinery. The district has computed rankings on everything from landfills to the United Airlines maintenance facility at San Francisco International Airport, the 30th-largest Bay Area greenhouse-gas emitter, with 114,427 metric tons of greenhouse gases. It would have to pay \$4,805 under the proposed rule.

Once a carbon fee is in place, critics worry, it could easily increase. But that's the best way to cut greenhouse gases, say some experts.

"I think this is tremendously gutsy," said Dan Kammen, a Harvard University-trained physicist who is director of renewable energy programs at the University of California-Berkeley.

"Emissions in California are still going up. All the nice paperwork is not going to make emissions go

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down until we put a price on what we don't want - which is greenhouse gas emissions."

Europe set up a carbon-trading market after its countries signed the Kyoto agreement. Under that "cap and trade" system, companies are limited in the amount of carbon dioxide they can emit. If they emit less, they can sell credits to other companies that exceed their limits. Currently, the market cost is about \$40 a ton, Kammen noted. California is studying creating a similar carbon market, and all three leading presidential candidates - Sens. Hillary Clinton, Barack Obama and John McCain - have said they support creating a national mandatory cap-and-trade program. Northeastern states also are setting up a similar market for power plants.

"What the air district is doing is what every economist knows is coming - but somebody has to go first," he said.

A majority of climate scientists agree that the Earth is warming because of the buildup in the atmosphere of carbon dioxide from the burning of fossil fuels, which trap heat. The 10 hottest years since modern records began being kept in the 1880s all have occurred since 1990, according to the National Climatic Data Center, a federal agency in North Carolina.

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To read the proposed rule, go to www.baaqmd.gov/pln/ruledev/workshops.htm

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