California Weighs Global Warming Fee On Industry

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SACRAMENTO (AP) — Nearly three years after California adopted its landmark global warming law, the state is poised to impose the nation's first statewide carbon fee on utilities, oil refineries and other industries.

The money will go toward funding a regulatory bureaucracy that will oversee the law and ensure the state lowers its greenhouse gas emissions.

The California Air Resources Board on Thursday is expected to vote for the carbon fee, an action that comes as the state is mired in recession and experiencing its highest jobless rate — 11.5 percent — in modern times.

The timing of the air board's action has prompted concerns that the fee will impose yet another burden on California's businesses.

It would be imposed beginning in 2010 and would raise $51.2 million annually during its first three years, an amount that would level off at $36.2 million during the fifth year. The average cement plant would pay about $200,000 a year, while the average oil refinery would pay about $1.3 million a year.

Industry groups say the proposal unfairly singles them out to pay for the law, which has been championed by Republican Gov. Arnold Schwarzenegger.

"Whether the economy is good or bad, any time you impose a fee, it goes against the cost of doing business," said Dorothy Rothrock, vice president of government relations at the California Manufacturers & Technology Association. "We're always struggling here to remain competitive."

The air board targeted the fee to industries it considers the starting point for roughly 85 percent of California's greenhouse gas emissions. For example, refineries and utility plants are the first handlers of the fuel and electricity that Californians consume every year.

About 250 businesses in California that make, sell or import gasoline, diesel, natural gas and coal would be charged roughly 12 cents per ton of carbon dioxide that they and their customers emit.

Cement plants also would be subject to the fee because the chemical process to make cement produces greenhouse gases. The charge would drop to 9 cents per ton of carbon dioxide in 2014.

Industry representatives said the air board's approach unfairly holds them

accountable not just for their own emissions but also for those generated by the millions Californians who use their products. They would like the fee spread across a broader cross-section of the economy.

Air regulators say they need the fee to carry out the California Global Warming Solutions Act, which seeks to reduce emissions in the state to 1990 levels by 2020. It is intended to cover the salaries of 174 people hired since Schwarzenegger signed the law.

"Consumers won't notice this fee," said Bill Magavern, the California director of the Sierra Club. "From a taxpayer point of view, Californians should be glad that the big polluters rather than the taxpayers will be charged."

Others disagree. Dan Kammen, a professor of energy and public policy at the University of California, Berkeley, said he expects the costs will be passed along to consumers.

The air board staff projected those costs would be minimal if spread throughout the state.

The average restaurant, for example, would see an increase of roughly $14 a year in its electricity and natural gas costs, said Jon Costantino, manager of the climate change section at the air board. The cost to each Californian would amount to between $1 and $1.50 a year.

A few local government entities have adopted similar fees. Last year, air regulators in the San Francisco Bay area imposed a 4.4 cent per-ton carbon fee on businesses that emit greenhouse gasses. In 2006, voters in Boulder, Colo., imposed a carbon tax on their own energy use.

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