

JULY 2010

# The Most Expensive Thing California Can Do Is Nothing

An Open Letter on Clean Energy and Global Warming from Economists



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Clean energy policies make good economic sense. While clean energy policies save California consumers money by making homes and vehicles more fuel-efficient, the policies protect consumers and the California economy from rising natural gas and oil prices.

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California can profit from virtue by becoming the nation's leader in green technology.

**RICHARD ARNOTT, PH.D.**

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Air pollution plagues California with the most health-threatening air in the nation, costing the state tens of billions of dollars each year in missed work and school days, health care expenses, and shortened lives. Cleaning up California's energy supply to reduce climate change pollutants will also reduce these costs, and improve health and productivity.

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AB 32 helps the process of weaning the economy off of fossil fuels, including oil. This will drive down prices of renewable energy as we gain economies of scale and scope and learning by doing, increase incentives for technological change, and reduce the amount of money that flows into the Middle East while reducing the importance to our national security of oil from that region.

**DARWIN C. HALL, PH.D.**

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The risk of significant negative consequences of our current emissions path should be sufficient for us to take meaningful action to cost-effectively moderate our appetite for emitting carbon and to spur innovation into carbon-lean technologies. Starting with automobile pollution control in the 1960s, California has been a leader in managing environmental problems. We are better off for it.

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California's clean energy policies are a bright spot in our state economy, stimulating innovation and investment and creating new jobs. For example, by reducing oil consumption, cleaner and more fuel-efficient vehicles save drivers money at the gas pump, reduce our dependence on oil, and create new jobs in the auto industry.

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## We believe that the state of California should proceed to control global warming gases and not delay as some are advocating.

In a 2006 letter, many of us stated that “Global warming gases will be best managed through a combination of policy approaches. Emissions caps combined with a range of regulatory and market-based implementation mechanisms offer a particularly potent strategy because they provide clear incentives for changes in business practices and the development of new technologies.” We continue to believe this.

While global climate change poses significant risks to the California economy, we believe that well-designed and judiciously phased-in strategies to limit global warming pollution can reduce emissions substantially in the long run at modest cost to the state. In fact, being an early mover to reduce emissions could yield economic (as well as climate) benefits for California. Well-designed strategies can stimulate innovation and efficiency, which could help the state become a technological leader in the global marketplace.

We continue to support the efforts of the California Air Resources Board to implement the 2006 state law, the Global Warming Solutions Act.

The current recession and the very high unemployment rate in California present daunting challenges. Some have argued that these economic conditions warrant suspending the implementation of emission reduction policies. We disagree. Delaying action now and waiting for the future before initiating accelerated action to reduce global warming gases will be more costly than initiating action now. Acting now is more likely to limit further environmental degradation, lower the cost of mitigation, and spur innovation in renewable energy and conservation technologies. Furthermore, policies that reduce global warming pollution are likely to provide immediate benefits to the health and welfare of residents by reducing local pollutants.

For these reasons we urge continued support for policies that reduce greenhouse gas emissions. These policies can improve our energy security, create new business opportunities and more jobs, and provide incentives for innovation.

Sincerely,

Economists from California and across the United States

(The signers of this letter are Ph.D. economists who live or work in California or who have expertise related to California issues or climate and energy issues.)

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California's position as a world leader in environmental achievement can be further solidified by action on clean energy and climate change. Developing a cap-and-trade system that will provide market based incentives to industry will not only create certainty in decision making for the private sector but will generate added benefits from a cleaner environment to all Californians.

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Repealing AB 32 or delaying its implementation is bad public policy. Contrary to what fossil-fuel-industry-sponsored research shows, most robust economic analyses show that the law will boost employment and reduce Californians' energy bills. AB 32 makes California more competitive in the global economy by driving technological innovation and saving us money.

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Compiled by the Union of Concerned Scientists on behalf of the signers of this letter.

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