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Cap and Global Trade



■ Trade and Transportation

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On October 20, the California Air Resources Board (CARB) adopted a statewide cap-and-trade program, the first of its kind in the nation. Cap-and-trade is a market-based approach to reducing carbon emissions. Under the program, industries are allowed to trade carbon credits in an attempt to meet state mandates to bring back carbon pollution to 1990 levels by 2020. The program will be administered by CARB.

Starting in 2013, industries that exceed emissions reduction targets established by CARB will be required to purchase credits through the cap-and-trade market from companies that have met their reduction benchmarks and have excess allowances to trade. The market will be expanded in 2015 to include more businesses.

California is used to being on the cutting edge of policy, particularly when it comes to the environment, but cap-and-trade has made both industry and the environmental community nervous. Because the U.S. Congress has failed to take a similar nationwide approach to reducing greenhouse gas (GHG) emissions, the outcomes of this experiment – both positive and negative – will be felt first and foremost here.

For the environmental community and those concerned with what has come to be known as environmental justice issues, there is a reluctance to embrace an emissions reduction measure that allows industry to essentially purchase the right to pollute. They argue that the short-term impact of a long-term program with great potential benefit will be to increase pollution and health risks for poor and minority communities already disproportionately affected by poor air quality. For the business community, the concern is that the cost of the program and the aggressive timeline will drive jobs elsewhere, including to neighboring states that don't have similar

restrictions. The argument is that employment is a health issue too. CARB believes it is possible to have both, and that the regulations will drive innovation in clean technology. That means the potential for green jobs, but the outcome is far from certain.

Cap-and-trade is the result of a comprehensive and increasingly complex set of policy measures developed at the state level designed to reduce GHG emissions. Assembly Bill (AB) 32, the Global Warming Solutions Act of 2006 – established the regulatory and market mechanisms that led to the CARB decision on October 20.

In the wake of AB 32, the legislature adopted – and the governor signed – Senate Bill (SB) 375 which requires California's 18 metropolitan planning organizations to align regional transportation, housing and land use plans and to prepare a Sustainable Communities Strategy (SCS) to reduce the amount of vehicle miles travelled in the region.

The Strategy must identify the general location of uses and residential densities and building intensities within a region; identify areas within a region which are sufficient to house the region's entire population; identify areas sufficient to house an eight-year projection of regional housing needs; identify a transportation network; gather and consider the best practically available scientific information regarding resource areas in the region; and quantify reductions in GHG emissions that the SCS is projected to achieve as well as any shortfall in reaching CARB's regional target. If the SCS falls short of meeting targets then the region must prepare an alternative planning strategy (APS).

The SCS process is coordinated with the regional transportation planning (RTP) process. The RTP is designed to show how a region meets air quality standards and mobility needs. It is required to be updated every three years. While the RTP is undergoing federal review, CARB reviews the SCS or APS.

Similarly, another Senate Bill, SB 391, requires that the California Transportation Plan identify the "statewide integrated multimodal transportation system" needed to reduce GHG emissions from current levels by 2020.

All of these efforts require planners to make forecasts and assumptions, both of which are inexact sciences. The fact that so much of them are integrated raises the stakes even further.

While none of these policy measures directly targets the trade and transportation sector (in fact SB 375 does not include heavy duty vehicles), the likely impacts on goods movement are great. The transportation plan outlined in SB 391 includes freight mobility. Making it a priority at the state level is a good thing, particularly if it means identifying funding for projects that both improve freight mobility across the entire state and reduce emissions.

But at the regional level, where the SCS will be developed, trade and transportation is rarely part of the vocabulary of urban sustainability. The industry provides jobs, which help to make community life sustainable. But it is also the source of congestion and imposes environmental costs on communities and the region as a whole. As the state moves forward with comprehensive emissions reductions, the industry can only hope that cap and trade makes room for the latter.

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