SACRAMENTO
BUSINESS JOURNAL

sacramentobusinessjournal.com | EL DORADO PLACER SACRAMENTO YOLO | October 26, 2012 | VOL. 29, NO. 35 | $3.00

Fuel standards: Let's go slow

Industry group says state mandate to lower carbon in California fuels will cost too much, put people out of work

California set a very high bar by mandating a 10 percent reduction in the overall carbon intensity of fuel sold in the state by 2020. Now a number of other states seek to emulate the Golden State by creating their own low-carbon fuel standards.

Based on California's experience to date, however, these states should proceed with implementation of far-reaching, low-carbon fuel policies only after carefully considering feasibility and viability issues that could affect jobs and the economy across the nation.

California can provide the road map for the rest of the nation. But before moving forward, regulators and stakeholders must commit to responsible analysis and full understanding of these policies and their effect on our jobs, consumers and families. Unfortunately, it is clear that the desire to "get it done" could eclipse the vital need to "get it done right."

ANOTHER VOICE
ROBERT STURTZ

The low-carbon fuel standards deadlines fostered discussions among key stakeholders because of the enormous potential for environmental and economic effects. Fueling California, a nonprofit alliance of companies, recently released the most comprehensive issue brief to date analyzing various studies on this issue from the perspective of fuel consumers.

The analysis demonstrates that the real question is not whether California should implement a low-carbon policy but rather how it should be done. Given concerns about fuel cost, supply, feasibility of implementation and our nation's economic situation, many fuel stakeholders believe that it is necessary and timely for California to reconsider the timing of implementation and steer a more realistic and feasible course.

As the first state in the nation to enact a low-carbon fuel standards program, California has a responsibility to enact a policy that serves as a useful and effective model for other states to consider adopting.

A recent report from Charles River Associates highlights severe economic consequences of a national standard based on California's present model. For example, it estimates that this policy would cut the gross domestic product by $410-$750 billion (or 2-3 percent) by 2025, leading to the loss of as many as 4.5 million jobs, primarily in the manufacturing and service industries. These estimates also factor in any gains in "green jobs" created by a national low-carbon standard.

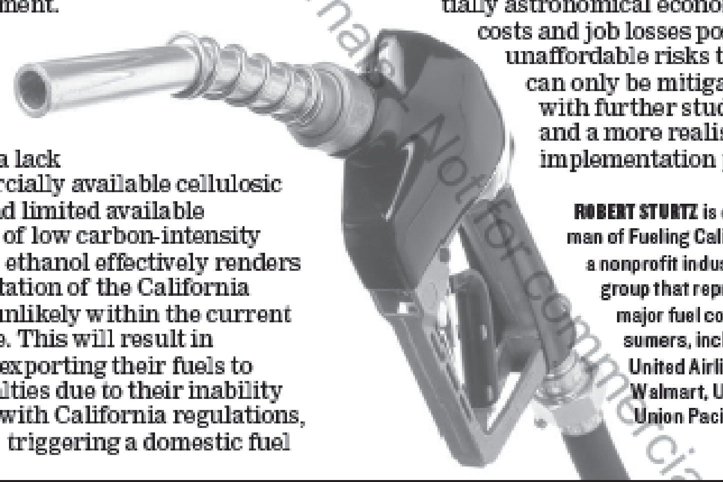
While the goals of the California standard are well-intended and even laudable, they simply are not achievable within the proposed timeline. The standard as presented is unworkable due to limitations in technology, resource and market and will have significant consequences on the state's economy and individual consumers who sustain higher fuel costs and unemployment.

A recent Boston Consulting Group study also finds that a lack of commercially available cellulosic ethanol and limited available quantities of low carbon-intensity sugarcane ethanol effectively renders implementation of the California standard unlikely within the current time frame. This will result in refineries exporting their fuels to avoid penalties due to their inability to comply with California regulations, eventually triggering a domestic fuel shortage as early as 2015.

After 2015, the report concluded, even tighter regulations presently are scheduled for implementation, likely resulting in the closure of refineries representing 20-30 percent of California's refining capacity. Even more refining will shut down when the currently planned low-carbon measures are fully implemented.

There's also evidence that diesel prices would skyrocket under the standard. A report by Stonebridge Associates found that the resulting $2.22 per gallon increase would cost California nearly 617,000 jobs, $68.5 billion in lost state domestic product, $21.7 billion in lost income, and $5.3 billion in lost state and local taxes. For a state that is struggling with continued unemployment and severe budget deficits, such numbers would be devastating.

Low-carbon fuel standard supporters counter that the long-term overall benefits will eventually outweigh any near- and intermediate-term costs during these "adjustment phases." The economy and the environment can prosper together but the potentially astronomical economic costs and job losses pose unaffordable risks that can only be mitigated with further study and a more realistic implementation plan.



ROBERT STURTZ is chairman of Fueling California, a nonprofit industry group that represents major fuel consumers, including United Airlines, Walmart, UPS and Union Pacific.