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Calif. climate change law cost underrated: study

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By [Peter Henderson](#)

SAN FRANCISCO (Reuters) - California's fight against global warming will cost small businesses \$183 billion per year in lost output, about 10 percent of state production, according to a study released on Monday.

The study, funded by small business groups and written by a university dean, added fuel to a heated debate over the effects of California's efforts to curtail climate change and provoked criticism from environmentalists and a state agency.

California, which has the largest population and economy of the 50 U.S. states, passed its climate change law in 2006.

Since then, the state's economy has weakened dramatically, reinvigorating the arguments about whether the program makes financial sense, even as global warming has become a national concern and a top priority of U.S. President Barack Obama.

The state's law set goals but many of the rules are still being drafted, making it a laboratory for the debate as the U.S. Congress considers a climate change bill and countries around the world try to reach consensus on what to do.

California aims to cut greenhouse gas emissions, which contribute to global warming, to 1990 levels by 2020. Measures hit nearly every aspect of life, from renewable energy use to protecting forests and redesigning cities for less driving.

"This is going to have a huge impact on the state's entrepreneurial spirit," said Sanjay Varshney, dean of the Business College at California State University, Sacramento, and the author of the study.

In contrast, an analysis by California's Air Resources Board, which is responsible for implementing the climate change law, had found a slight net economic benefit to the plan.

But that analysis was roundly criticized, including by the state's nonpartisan Legislative Analyst Office, which called it "inconsistent and incomplete."

CRITICS DIFFER ON STUDY

Supporters see California's moves, ahead of other states, as creating a vibrant green economy. But Varshney argued that businesses already struggling with an economic meltdown would flee and small enterprises would have to shut down as costs eclipsed their profits.

Estimating 10 percent cost hikes for transportation, housing, fuel, food and utilities, the study forecast \$63.9 billion in direct costs to small business would cause \$182.6 billion in total loss of output, especially in professional services, manufacturing, arts, entertainment and recreation.

The study did not quantify the benefits of the law, saying costs would come early while benefits might never materialize.

"It is very much a stack-the-deck kind of analysis," said James Fine, an economist at the Environmental Defense Fund.

He said the law would not have a big effect one way or the other on California's economy, because of balancing benefits. Supporters see an economic boon in lower costs of fuel from more efficient cars and a boom in green energy jobs, among other factors.

The Air Resources Board said it disagreed with basic assumptions of the study and especially the thesis that there would be no savings or benefits.

"This contradicts the track record of three decades of improvements in energy efficiency in California which has saved individuals and small businesses alike billions of dollars," spokesman Stanley Young said in a statement.

(Editing by John O'Callaghan)

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