

Global warming law may be profitable for California

By Paul Rogers, San Jose Mercury News

For the past 10 years, California has struggled with huge budget deficits and wrenching cuts. Suddenly, however, the state is poised to raise billions from an unusual new source: the proceeds from its landmark global warming law.

The windfall could come as soon as this fall, when state officials are set to begin auctioning off pollution credits to oil refineries, power plants and other major polluters as part of a new "cap-and-trade" system.

The amounts are potentially enormous: from \$1 billion to \$3 billion a year in 2012 and 2013, jumping to as high as \$14 billion a year by 2015, according to the nonpartisan state Legislative Analyst's Office. By comparison, the state's current budget deficit is \$9 billion.

But like thirsty castaways on an island surrounded by ocean water they can't drink, Gov. Jerry Brown and state legislators face strict constraints on how they can spend the money. More than 30 years of court rulings and ballot measures – dating to Proposition 13 in 1978 – limit its use, probably only to projects that reduce greenhouse gas emissions.

To add another hurdle, major business groups are preparing lawsuits, arguing that the state cannot collect the money at all.

Still, Brown and others in the Capitol are cautiously making plans. On Monday, the state's High-Speed Rail Authority slipped into a news release that the money would be used as "a backstop" that could save the struggling bullet-train project.

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And in a follow-up interview with this newspaper, Dan Richard, chairman of the rail authority, asserted that a large portion of the money could go to fund high-speed rail.

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