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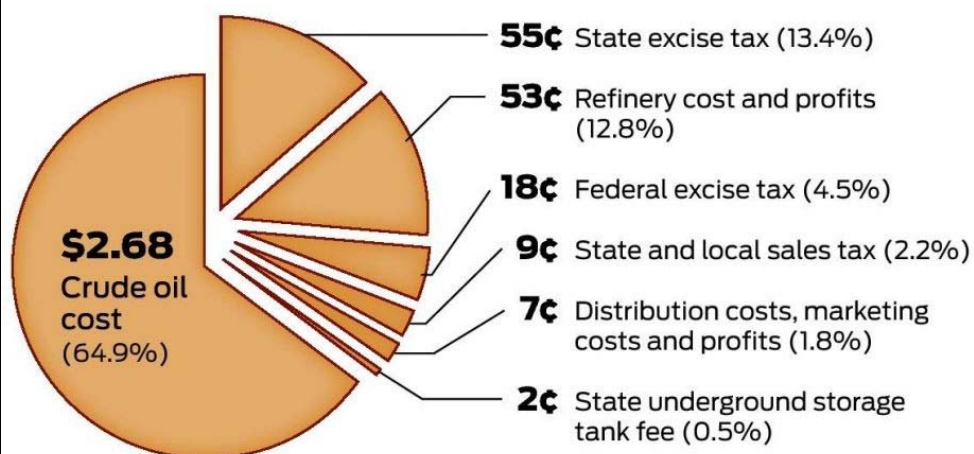
California climate change policies to hit pocketbooks

David R. Baker Updated 8:46 am, Thursday, July 24, 2014

Where your gas money goes

California has the highest gasoline prices in the continental United States, and some of the highest gasoline taxes. Here's a breakdown of the cost of gasoline from the California Energy Commission, based on prices at the end of June.

Average retail price per gallon on June 30: \$4.13



Note: Figures do not add up to totals because of rounding.

Source: California Energy Commission

Todd Trumbull / The Chronicle

IMAGE 1 OF 1






In California's fight against global warming, consumers may soon suffer their first hit.

Come January 2015, gasoline and other fuels will for the first time fall under the state's cap-and-trade system for reining in greenhouse gas emissions. Prices at the pump could rise as a result.

Until now, the state's efforts to curb emissions, boost renewable power and encourage alternative fuels haven't hit Californians in the pocketbook. Should gas prices climb,

Californians, who back the state's climate change policies by a wide margin, would suddenly see that those policies carry a cost.

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And their support, solid for years, might begin to buckle.

A poll released Wednesday by the **Public Policy Institute of California** found that 76 percent of Californians back the idea of forcing fuel producers to cut emissions. Support plunges to 39 percent, however, if the move would lead to higher gas prices.

Marked drop among poor

The drop is most notable among lower-income Californians, for whom gasoline bills eat up a big chunk of the monthly budget. Among respondents making less than \$40,000, 77 percent support cutting fuel emissions. That number falls to 32 percent if lowering emissions forces them to pay more.

"We're dealing with economically challenged times for a good number of Californians," said **Mark Baldassare**, the institute's president and chief executive

officer. "Their own personal finances just haven't recovered to the point where they should."

Much will depend on how high prices rise - if they do at all.

The **California agency** in charge of cap and trade insists they won't.

Under the cap-and-trade system, companies that distribute and sell fuel will be forced to buy "allowances" - essentially, permits to emit carbon dioxide and other greenhouse gases. But **Dave Clegern**, spokesman for the **California Air Resources Board**, said most of those companies have already been buying allowances, socking them away in advance. And the oil refineries that make gasoline have been covered by the cap-and-trade system since it launched in 2012.

"The only reason there will be a jump in fuel prices come Jan. 1 is because the people who make and sell fuel decide there will be one," Clegern said.

Impact on prices debated

Many economists disagree, although they're divided on just how high prices might rise. A study commissioned by the **Western States Petroleum Association** estimated that bringing fuels into the cap-and-trade system will push up costs to oil companies by 14 cents to 69 cents per gallon - costs that the companies will likely pass on to consumers. UC Davis economist **James Bushnell**, meanwhile, puts the cost to consumers at 8.5 to 9 cents per gallon.

As modest as that sounds, Bushnell still considers January a "moment of truth" for California's fight against climate change.

Consumers tend to notice changes in gasoline prices far more than they notice other rising costs, in part because gas prices are so visible, posted along every highway. In contrast, the cost associated with California's increased use of renewable power is just one tiny component of electricity rates, and it isn't broken out on monthly bills. Pacific Gas and Electric Co. estimates that the California law requiring utilities to get 33 percent of their electricity from renewable sources by 2020 raises electricity bills by 1 to 2 percent each year.

But for drivers, a sudden uptick in price at every California gas station would be hard to miss. California typically has the highest gas prices in the continental U.S. The statewide average for a gallon of regular is currently \$4.03, compared with the national average of \$3.56.

Californians have consistently backed the state's landmark global warming law, known

as AB32, since it was passed in 2006. Now they will see a price directly linked to that law.

"We passed this thing in 2006, and it was heavily back-loaded in terms of the impacts," Bushnell said. "We finally now are reaching the end of that road, where some of the costs are becoming more visible."

Delay sought

The oil industry wants to delay the Jan. 1 deadline.

And some Sacramento legislators, worried about a consumer backlash, have agreed. This month, Assemblyman **Henry Perea**, D-Fresno, introduced a bill that would delay placing fuels under the cap-and-trade system until the start of 2018. His bill has touched off a fierce fight, with environmentalists and their legislative allies accusing Perea of trying to sabotage California's environmental goals. Backers of the bill argue that motorist outrage could have the same effect, killing public support for the system.

"This is really going to be the first time our very aggressive climate policies will be apparent to consumers, and unless consumers understand why these changes are occurring and what their role is in the program, it's wrong to hit them with these added costs," said **Tupper Hull**, spokesman for the Western States Petroleum Association.

David R. Baker is a **San Francisco Chronicle** staff writer. E-mail: dbaker@sfgate.com Twitter: [@DavidBakerSF](https://twitter.com/DavidBakerSF)

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