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CALIFORNIA VOTES TO JOIN THE THIRD WORLD

Higher Prices, Fewer Jobs in Golden State Future

Washington, D.C., August 31, 2006—In what could prove a disastrous move for consumers and businesses, Governor Arnold Schwarzenegger is poised to sign legislation imposing statutory limits on greenhouse gas emissions in the state of California.

The system of restrictions, which calls for a 25% cut in emissions by 2020, is to be administered by the California Air Resources Board under a so-called “cap-and-trade” system. A cap-and-trade scheme will restrict the total emissions allowed, in effect functioning as a tax on energy use throughout the state.

“It is unfortunate that California’s state government would be pushing such a wrong-headed policy at a time that entrepreneurs and employers are already fleeing the state, due to some of the highest electricity and gasoline prices in the country,” said Competitive Enterprise Institute Senior Fellow [Marlo Lewis](#).

With energy as one of the largest costs for industrial and manufacturing businesses, the increase in prices sure to come from an emissions cap will like drive jobs out of California to neighboring states. The legislation will also force consumers to use much less electricity and gasoline and to pay much higher prices for what they do use.

Moreover, it is unclear how California will keep utilities from simply increasing the share of power purchased from out-of-state sources – sources likely to be derived from coal-fired power plants – thereby actually increasing greenhouse gas emissions overall.

“While its actions are being lauded as a step into the future, California is actually a late entry into the already failed game of energy rationing,” said Director of Energy & Global Warming Policy [Myron Ebell](#). “Europe, Japan and Canada are all failing spectacularly to meet their emissions reductions targets under the Kyoto Protocol, despite years of breathless cheerleading for cap-and-trade mechanisms. What California has done today is to decide to become a Third World economy.”