

Election Results

Inside this issue:

Election Results	1
General Election Wrap Up	1
CA First Auction of Greenhouse gas Credits	2

To no one's surprise the Democrats won a 2/3 vote or a "supermajority" in the Senate, what was surprising was the Democrats also won a 2/3 vote in the Assembly. This means that the Democrats do not need the Republicans to pass new tax increases, waive rules in the Legislature and pass urgency bills. With a Democratic Governor this is especially parlous. This Governor has said that he won't raise taxes without a vote of the people, which is what he just accomplished in passage of Proposition 30 (temporary sales and income tax hike). I do not see a big or specific impact to ESP's. Obviously, a party that rules both houses and the Governor's office is not good for balanced agenda but there is not a tax that is specific to ESP's and our issues are a simple majority vote anyway.

Proposition 39: Passed by a comfortable margin. The Proposition altered the formula by which out of state companies calculate their California tax liability .

Proposition 30: This was the Governor's big issue in the 2012 election. The measure raises the state sales tax and raises the Personal Income Tax on filers making over \$250,000.

Proposition 32: Proposed to prohibit direct Corporate and Union Contributions and disallowed the practice of assessing union members for political money. The measure failed.

Propositions 31,33, 34, 35,36,37,38,40: Not relevant to ESP's either directly or indirectly.

Proposition 39: 26205. The Clean Energy Job Creation Fund is hereby created in the State Treasury. Except as provided in Section 26208, the sum of five hundred fifty million dollars (\$550,000,000) shall be transferred from the General Fund to the Job Creation Fund in fiscal years 2013-14, 2014-15, 2015-16, 2016-17, and 2017-18. Moneys in the fund shall be available for appropriation for the purpose of funding projects that create jobs in California improving energy efficiency and expanding clean energy generation.

2012 General Election Wrap Up

After a seemingly endless and hostile campaign season, Legislative Democrats in California closed out Election Day on the cusp of a supermajority in both houses that would provide unilateral authority to raise taxes in the state. Such an outcome would mark the first time in over thirty years that either party has captured two-thirds of the seats in either house; if both houses reached the threshold, it would be the first time the Legislature was dominated at that level by one party since the 1930s. In the early hours following the close of polls, Senate President Pro Tem Steinberg fell short of claiming the victory only noting his optimism; whereas Assembly Speaker John Perez claimed the victory, despite a number of legislative races still too close to call. The cheering from Democrats sparked warnings from Republican leaders noting Californians could be eliminating the leverage they have used to oppose tax increases, extract spending reductions and institute regulatory reforms.

California's first auction of greenhouse-gas credits

By Marc Lifsher, Los Angeles Times
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SACRAMENTO-After six years of preparation, California is poised to become the first state to combat global warming by capping greenhouse gas emissions and making major polluters pay to release more of these gases into the atmosphere. It's part of a landmark law approved in 2006 that seeks to cut the state's production of carbon dioxide, methane and related gases to 1990 levels — about 17% lower than current amounts — by 2020. Starting next week, big polluters will be required to buy pollution credits if they plan to emit greenhouse gases above their allotted levels.

On Nov. 14, the state is scheduled to launch the market-based "cap-and-trade" program of selling pollution credits at auction. This year, the program covers about 350 industrial businesses operating a total of 600 facilities throughout the state. They include cement plants, steel mills, food processors, electric utilities and refineries. Starting in 2015, the program will also cover distributors of natural gas and other fuels. These businesses have been issued free credits worth 90% of their recent emissions. Now they must either cut their greenhouse gas production to that level or buy credits to make up the difference. Companies that have more credits than they need can sell them at the auction, and the state will sell additional credits as well. But with the state's first sale of pollution credits just days away, businesses that oppose the program are still trying to derail it. At a minimum, they are asking for free credits worth 100% of their recent needs, not just 90%.

The state's requirement to buy pollution credits "will impose high and unnecessary costs on California businesses, threatening jobs and tax revenues in the state," the industrial coalition, AB 32 Implementation Group, said in an Oct. 16 letter to the governor. "All California's consumers will feel the impacts of higher costs for fuel, utilities, food and other essential goods and services." The biggest problem, the group contends, is that the California-only regulations are expected to cause "leakage" of jobs by driving businesses to neighboring states that put no limits on greenhouse gas emissions. Regardless, the state has made it clear that it's moving ahead with the long-planned cap-and-trade approach. "The auction will take place on Nov. 14," said Gareth Lacy, a spokesman for Gov. Jerry Brown. The approach "is a reasonable, well-thought-out program with rigorous reporting, monitoring and enforcement ... while protecting California's business and jobs," Matt Rodriguez, the head of the state's Environmental Protection Agency, said at a recent conference in San Diego on industry and the environment. The upcoming auction of credits is one of the most controversial parts of the Global Warming Solutions Act, the 2006 law known as AB 32. Each credit allows the release of one metric ton of greenhouse gases. (For comparison, a typical passenger vehicle produces about five metric tons per year.) The California Air Resources Board, which is overseeing the quarterly auctions, has set a minimum bid of \$10 per credit, and it predicts that the price could rise to as much as \$50 over the next eight years.

"We're projecting in 2013 that we're going to see a direct increase in costs of somewhere between \$2 million and \$5 million per year. It's a significant percentage of our costs," said Steve Regis, Cal Portland's vice president for corporate services. The company also expects the credits system to cause big hikes in the cost of electricity, which it uses to run furnaces to bake limestone and other cement ingredients to more than 1,600 degrees. "Our concern is, we may no longer manufacture in California," Regis warned. "We'd ... bring it in from overseas or out of state."

California's cap-and-trade system is much more comprehensive and ambitious than the only other greenhouse gas auction in the country. A 10-state Regional Greenhouse Gas Initiative, begun in 2009 in the Northeast, covers only electric power plants. Trading in Europe proved to be flawed when started in 2005 but has been substantially overhauled since then.

The Golden State's carbon market and its entire effort to curb greenhouse gas emissions won't directly put a significant dent in global warming because the state contributes less than 2% of worldwide emissions, said Severin Borenstein, executive director of the UC Energy Institute.

"But California is creating a model for a cap-and-trade that can work," he said. "Potentially, it could provide an example that other countries and larger organizations of countries could adopt, while we work out some of the kinks along the way."

To Read this article in its entirety go to: <http://www.latimes.com/business/la-fi-calif-pollution-credits-20121106,0,2129447.story>