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Protect Our Economy & Families: Reject Runaway Energy & Fuel Costs

The Issue: State Regulators Ignore Legislative Direction

Background of Cap-and-Trade: The California Legislature passed by a two-thirds bipartisan vote to renew what is known as the state's Cap-and-Trade program (Assembly Bill 398) as one of the programs aimed at reducing greenhouse gas emissions but is balanced with containing costs on California households and businesses.

Directed to Contain Costs for Californians: This program includes specific direction to the state's air regulators (California Air Resources Board, or "CARB") to determine a price ceiling that safeguards California consumers and the economy from run-away regulatory costs.

- In fact the language explicitly states that CARB needs to "avoid adverse impacts on resident households, businesses, and the state's economy."
- CARB, instead, ignored experts, legislators, and stakeholders with a price ceiling that will not contain costs impacting the economy, residents and businesses – the very people they were directed to protect. Runaway cost increases will impact fuel, energy, food, and other essentials for every Californian.

What's At Risk: Skyrocketing Energy and Fuel Costs

Experts Say CARB's Proposal Could Increase Fuel Costs Up to \$1.08 or More a Gallon: According to CARB's own experts, in the cap-and-trade program, for every \$10 businesses pay for an allowance, consumers could pay 9 cents per gallon on gasoline.¹

- CARB is proposing a price ceiling that, after inflation, is nearly \$120 per allowance, which would add roughly **\$1.08 per gallon of gasoline**. (Note: Stillwater concurs with and relies upon CARB's methodology and assumes in its model that 100 percent of the cost is passed through to consumers)²

Nearly One-Third of U.S. Households Struggle to Pay for Energy Bills; California One of the Highest

- A new report by the Energy Information Administration states that "nearly a third of households in the United States have struggled to pay their energy bills." "About one in five households had to reduce or forgo food, medicine and other necessities to pay an energy bill." "More than 10 percent of households kept their homes at unhealthy or unsafe temperatures."³
- Californians pay 40.9 percent more than average national households for electricity bills according to the U.S. Energy Information Administration.⁴
- CARB's proposal would dramatically increase energy costs on California households according to experts.⁵

Blowing Up the Balance of Reducing Emissions and Protecting California Economy

- Cap-and-trade was carefully developed to become a leader in the world to reduce greenhouse gas emissions while containing the costs on California consumers and small businesses.
- The air regulators proposal blows up this careful balance by forcing working Californians to significantly increase their cost-of-living with minimal benefits to the environment.⁶
- When consumers are negatively impacted, they have less disposable income, meaning they have less money to spend on goods and services. This can result in devastating effects to small businesses and communities that rely on this economic activity.

¹ Source: California Air Resources Board, 2018 Standardized Regulatory Impact Assessment:
<https://www.arb.ca.gov/regact/2018/capandtrade18/ct18sria.pdf>

² Assumes all refinery costs are passed through and there is 10% ethanol in gasoline and 13% bio and renewable diesel in CARB diesel.
Source: Stillwater Associates, 2018

³ <https://www.npr.org/2018/09/19/649633468/31-percent-of-u-s-households-have-trouble-paying-energy-bills>

⁴ <https://www.cnn.com/2017/02/06/californias-electricity-glut-residents-pay-more-than-national-average.html>

⁵ California Air Resources Board, Standardized Regulatory Impact Assessment, June 2018:
http://www.dof.ca.gov/Forecasting/Economics/Major_Regulations/Major_Regulations_Table/documents/Cap-Trade_SRIA_ARB_6-2018.pdf

⁶ Harvard Kennedy School, 2018: https://www.hks.harvard.edu/sites/default/files/FWP_2018-02_0.pdf