

Today, proponents of an initiative measure designed to “suspend” California’s landmark Global Warming Solutions Act of 2006 (AB 32) are scheduled to submit signatures to state election officials designed to qualify the measure for the November 2010 ballot. Bankrolled by two Texas-based oil companies, Tesoro Corporation and Valero Energy Corporation, the initiative measure would preclude California environmental regulators from implementing AB 32 until state unemployment figures drop below 5.5% for at least one year.

California’s unemployment rate is currently hovering around 13%, and economists do not expect that level to fall below 5.5% in the foreseeable future. So, for all intents and purposes, the initiative if successful would effectively sound the death knell for AB 32.

Initiative proponents are expected to have gathered and submit the requisite number of voter signatures needed to qualify the measure for California’s November ballot. That, in turn, will set off what promises to be one of the most consequential and fascinating environmental political battles in recent memory. And one that will doubtless garner considerable national and international attention.

Out-of-state oil and coal interests can be expected to partner with Tesoro and Valero in supporting the initiative, along with national business organizations, anti-tax groups and the Tea Party crowd. Conversely, California Governor Schwarzenegger, state and national environmental organizations, green tech firms and alternative energy businesses have announced plans to campaign against the measure. One fascinating political subplot is what position powerful California-based utilities and conventional energy companies such as Southern California Edison and Chevron will choose to take in the upcoming election campaign.

Meanwhile, the political debate over the initiative may already be having real-world economic consequences: clean tech and renewable energy firms are reportedly reconsidering their commitment to California, given the newly-created uncertainty over AB 32’s future. As a result of the Golden State’s past, demonstrated commitment to effective greenhouse gas reduction efforts and expansion of its renewable energy portfolio, California has become a magnet for green tech venture capital: the Sacramento Bee reports that in 2009, California attracted 60% of all the venture investment in North America for companies involved in renewable fuels and alternative vehicles.

Now, as a result of the pending initiative, many of those same companies are beginning to consider whether they should pursue their business efforts elsewhere. And other states—including Ohio and Nevada—are aggressively recruiting these firms away from California, to their own jurisdictions.

## The Looming Political Battle Over AB 32 & California's Environmental & Economic Future | 2

So the anti-AB 32 initiative not only looms as a fascinating political battle over the future course of California environmental and energy policy. If enacted in November (and even during the campaign leading up to the fall election), it's also likely to be very bad for California business—at least for the clean tech/renewable energy sectors upon which California's long-term future economic prosperity is likely to depend.