It was a rare defeat yesterday in the legislature for California's environmental community. After major victories in 2006 with AB 32 (to reduce greenhouse gas emissions to 1990 levels by 2020), in 2008 with SB 375 (to reform transportation and land use planning), and in 2010 with a voter rejection of the oil industry's attempt to roll back AB 32 (Prop 23), climate advocates were getting comfortable in the Golden State.

But the Western States Petroleum Association (aka "Big Oil") trotted out a well-funded and dishonest ad campaign targeted at "moderate" Assembly Democrats, who defeated a provision of SB 350 (De Leon) that would have legislated a goal to reduce petroleum use in California by half by 2030.

So is this a major setback for the environment and public health in California?

Well, maybe not. If the Assembly passes and the governor signs SB 32 (Pavley), the state's effort to continue the progress on AB 32 out to 2030 and 2050, the California Air Resources Board could essentially require the same petroleum reduction goals through regulation. That agency would have broad authority to do so under SB 32, as it currently has under AB 32. Because transportation emissions are the largest wedge in the greenhouse gas emissions pie, the agency has to tackle petroleum fuels at some level to achieve the broader legislated goals.

And the state is already well on its way to achieving those goals anyway, thanks to federal fuel economy standards, improving electric vehicle technologies, and greater renewable biofuels deployment, as NRDC points out.

But even assuming that SB 32 passes, the downside for climate change advocates is real: having these goals legislated, as opposed to being in a regulatory form pursuant to a governor's executive order, means they would have been more certain and less subject to politics. Now a new administration could force changes to how the Air Resources Board regulates fuels, and the Western States Petroleum Association can use their influence during the regulatory process to water down or gut new rules on fuels. Plus, the oil companies can more easily turn to the courts to challenge regulations, resulting in delays and extra costs for the agency.

So it’s definitely a loss for the environmental community, but in the long run the path that California has to take is clear. Oil companies will see declining market share as vehicles become more efficient, people drive less, and as electric vehicles take hold. Their victory yesterday will probably be a temporary one, with all eyes now on SB 32.