The OC Register reports that UCLA may face a large bill (over $5 million per year) for its current carbon dioxide emissions under AB32's cap and trade. If true, will the faculty at UCLA continue to support this regulation?

Several issues arise. First, UCLA is a non-profit. While UCLA is "big", should non-profits be part of the cap? This cap will act as a tax on growth. If UCLA was considering expanding its children's hospital, it may now build a smaller hospital when it faces the carbon tax (I realize that this is an extreme example but scaling down total university square footage is one way to reduce the carbon bill). Second, UCLA (unlike Starbucks) doesn't fully control the price of our product. Given that UCLA does have some market power, in an unconstrained setting, it could certainly raise tuition and pass on the carbon costs to students who inelastically demand our brand. Given the political resistance to further tuition increases must UCLA bear this carbon cost? In the language of economics, who bears the incidence of this regulation? If UCLA's hospital was renamed and broken off from the University would UCLA still be large enough to be placed under the cap?

Walking around campus and looking at the old buildings on campus, there is plenty of energy inefficiency here. The carbon pricing will nudge our fiscal office to invest more in energy efficiency and to consider installing roof top solar around campus. The net effect will be a declining carbon bill over time.

So, my vote is that the UC should be part of the carbon cap but that UCLA be given more freedom to pursue its goals in researching, teaching and public service.