



OPINION

California's cap-and-trade program fails to hold polluters accountable



BY **DAVID WEISKOPF** POSTED 08.10.2023

OPINION – It has long been an open secret that Cap-and-Trade, California's so-called "landmark climate policy," is failing to drive significant pollution reductions more than a decade after it was launched. Under the current framework, industrial polluters in our state have grown accustomed to getting special treatment and emissions in some sectors are up. Major polluters such as oil refineries and other industrial operations inflict astronomical costs and harms on our state in the form of disproportionate pollution levels, shorter life spans, increased health burdens, and higher medical bills for people who live near their operations. And we must all grapple with the worsening effects of global warming – intense heat, flooding, and deadly wildfires .

The Cap-and-Trade program is supposed to force polluters to absorb some of these costs as a motivation to clean up their acts. The program was created to limit how much carbon dioxide and other planet-heating gasses big polluters can emit each year by charging a price for each ton of pollution they emit. But

the program as it is currently designed is rife with loopholes and giveaways that shield the state's deadliest polluters and most powerful fossil fuel interests from having to change the way they do business.

Now the state has the opportunity to change that.

Current rules in the Cap-and-Trade system give industrial polluters a free pass for the vast majority of their pollution by requiring them to pay for only a small fraction of what they emit. For the small portion of their pollution that is actually priced, the current rules provide many ways to avoid paying full price. For example, by placing too many permits up for sale, regulators have made it possible for companies to buy extra permits at low prices years in advance. Companies can then hoard these as prices slowly rise, rather than facing the choice between paying higher prices or else cutting pollution over time. And on top of this, many industries are given additional free allowances to pollute for the express purpose of diluting the incentive Cap-and-Trade is there to create.

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These last giveaways are sometimes called “anti-leakage” allocations, on the theory that sources of pollution currently regulated by California law may “leak” out of our jurisdiction (and our ability to encourage them to clean up their act) if we fail to coddle them sufficiently. As a result the state sends mixed messages to these polluters: on the one hand, we are telling them to cut pollution or else face the prospect of paying high prices to pollute; on the other we are saying “but not really.”

It's time for California's regulators to force these industries to face reality and end the sweetheart deal they are getting at the public's expense. That means standing up to the “leakage” boogeyman and finally putting the full price of greenhouse gas pollution on the corporations that cause it by burning fossil fuels.

In a recent workshop, weighing potential revisions to Cap-and-Trade regulations, state Air Board staff indicated that the state may not be able to achieve the level of pollution cuts envisioned in the “Scoping Plan” California created only a few months ago. The reason offered for this backtracking was that some of the fossil fuel industries favored methods of cutting global warming pollution are not scaling up fast enough to keep up with how much these same industries are polluting. This should come as no surprise as long as the state keeps a thumb on the scale in favor of blunting the effect of its own flagship pollution reduction program.

Until California implements the Cap-and-Trade program as it was intended – forcing polluters to cap emissions or pay a high price that ultimately persuades businesses to run cleaner – we will be fighting global warming with one hand tied behind our backs at a time when we should be taking off the gloves.

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