OFFICIALS REACH CALIFORNIA DEAL TO CUT EMISSIONS

By FELICITY BARRINGER
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California's political leaders announced an agreement on Wednesday that imposes the most sweeping controls on carbon dioxide emissions in the nation, putting the state at the forefront of a broad campaign to curb the man-made causes of climate change despite resistance in Washington.

The deal between the Democratic-controlled Legislature and the Republican governor, Arnold Schwarzenegger, calls for a 25 percent reduction in carbon dioxide emissions by 2020, and could establish controls on the largest industrial sectors, including utilities, oil refineries and cement plants. The state has already placed strict limits on automobile emissions, although that move is being challenged in federal court.

The Bush administration has rejected the idea of similar national controls on carbon dioxide emissions, and efforts to get Congressional approval for such firm caps on emissions have repeatedly been defeated.

Although the deal in California is strongly opposed by Republicans in the Legislature and many business leaders across the state, it assures that a bill on the restrictions will be passed before the legislative session ends Thursday and will be signed by Mr. Schwarzenegger, the leaders said Wednesday.

The first major controls are scheduled to begin in 2012, with the aim of reducing the emissions to their level in 1990. The legislation allows for incentives to businesses to help reach the goals, but opponents warn that the state may be sacrificing its economic interests for a quixotic goal.

"If our manufacturers leave, whether for North Carolina or China, and they take their greenhouse gases with them, we might not have solved the problem but exacerbated it instead," said Allan Zaremberg, the president of the state's Chamber of Commerce.

Since taking office in 2003, Mr. Schwarzenegger, who is seeking reelection in November, has supported efforts to fight climate change, most recently by signing an agreement with Prime Minister Tony Blair of Britain to do cooperative research on new clean-energy technologies.

The governor said Wednesday that the deal struck with Democrats would make "California a world leader in the effort to reduce carbon emissions." "The success of our system will be an example for other states and nations to follow as the fight against climate change continues," Mr. Schwarzenegger added.

The Assembly speaker, Fabian Nunez, who sponsored the bill along with Assemblywoman Fran Pavley, said at a news conference here, "We feel that California has always been a leader in protecting the environment."
"We now have moved it to the next level," said Mr. Nunez, a Los Angeles Democrat. "We'd all like to see California one day be carbon free." The state's action, he said, could set off a "bottom-up" movement for curbs of heat-trapping gases in states around the country.

That has been the goal of national environmental groups like Environmental Defense and the Natural Resources Defense Counsel, which helped sponsor the California legislation. It has also been the goal of Ms. Pavley, a Democrat from Agoura Hills and the author, in 2002, of a groundbreaking law reducing tailpipe emissions of heat-trapping gases.

**Already, the governors of New York, New Jersey, Delaware and four New England states have signed an agreement to curb power-plant emissions, cutting them by 10 percent by 2019.** That would amount to about **24 million tons**, said Dale Bryk of the New York office of the Natural Resources Defense Counsel, about one-seventh of the total envisioned in the California legislation, which will be **an estimated 174 million tons**.

Ms. Bryk added that Massachusetts and New Hampshire had enacted some emissions curbs, but that the number of power plants involved was minuscule compared with the California effort.

A recent poll of Californians by the Public Policy Institute of California showed nearly four of five respondents said urgent action on climate change was needed.

Aside from its long coastline, which could be vulnerable to sea-level rises due to global warming, the state depends on the Sierra Nevada snow pack for much of its water.

**A study in 2004 by the National Academy of Science showed that unchecked global warming would cut the size of the snow pack by at least 29 percent by the end of the century. It also predicted a doubling in the number of heat waves, like the record-breaking one in July that killed 139 people statewide.**

The deal on Wednesday on the emissions legislation nearly foundered at least three times in the past week as Mr. Schwarzenegger's negotiators reached seeming impasses with the Legislature over important issues: whether the bill would require the creation of **market mechanisms like emissions credits to help industries meet the new standards**; how broad to make exemptions during emergencies like the state's electricity crisis six years ago, and how to administer and enforce the law.

In the end, after three weeks filled with late-night sessions, according to legislative staffers who were not authorized to speak for attribution, Mr. Nunez met with Mr. Schwarzenegger on Wednesday morning and said that the Assembly and the Senate had agreed on final language and intended to enact the legislation with or without his consent.

That left the governor to decide whether the final language fell so far short of his wishes that he could take the political risk during an election year of vetoing a signature piece of environmental legislation whose aims he had supported.
In the end, the governor and the legislative leaders, including the Senate president, Don Perata, Democrat of Oakland, announced their agreement.

Ralph Cavanagh, the co-director of the energy program of the Natural Resources Defense Council, said in a telephone interview: "This is not an act of altruism. This is an act of enlightened self-interest. **By accelerating the effort to reduce global warming pollution, California will benefit its own economy and environment** and in so doing will set the best possible example for other states and nations."

Business leaders had been divided on the climate-change measure, with leading venture capitalists from Silicon Valley openly stumping for passage, saying the measure will create new industries and new jobs. The state's Chamber of Commerce led the opposition, saying that the measure would prompt an exodus of industry to other states without emission controls, while California would be hamstrung in trying to attract out-of-state businesses.

The bill gives the California Air Resources Board, which enforces the state's air pollution controls, the lead authority for generally establishing how much industry groups contribute to global warming pollution, for assigning emission targets, and for setting noncompliance penalties. It sets out a two-year time frame, until 2009, to establish how the system will operate and then allows three years, until 2012, for the industries to start their cutbacks.

Peter Darbee, the chairman and chief executive of Pacific Gas and Electric, broke with his industry as PG&E became the first and possibly only major utility in the state to support the legislation, called the Global Warming Solutions Act.

"The issue of climate change is important and needs to be dealt with," Mr. Darbee said. "We need a pragmatic and practical result. **Since the bill has a market-based program, it will work efficiently and effectively for businesses.**"

A safety-valve provision that, in an emergency, could give companies a year's hiatus in complying with their mandates, was also key, he said.

Wednesday's announcement is significant for Mr. Schwarzenegger's re-election campaign, potentially vaulting the governor beyond his Democratic challenger's reach.

Mr. Schwarzenegger, whose popularity plummeted after a group of polarizing ballot initiatives failed at the polls last year, has been steadily pedaling to the left for months, supporting legislation to increase the state's minimum wage, to make some prescription drugs more accessible and to improve the state's environment by adding thousands of subsidized solar roofs over the next decade.

His strategy seems to be to appeal to the sensibilities of voters that have long driven the state's politics and to distance himself openly from President Bush. Recent polls suggest that Mr. Schwarzenegger enjoys a wide lead.