BOOSTING CLEAN TECH DEVELOPMENT AND IMPLEMENTATION

by Carl Nettleton

California's push to be an international leader in the development of clean technology will soon receive a boost from two new sources of funding:

» New tax revenues generated by Proposition 39 (2012), and
» The auction of carbon credits called for by the implementation of the Global Warming Solutions Act of 2006.

Let's review each of these in detail.

PROPOSITION 39

Proposition 39 levels the playing field for California companies. For the last several years California companies were at a tax disadvantage because multi-state firms were paying income taxes based on the percentage of their facilities in California while California firms paid on a percentage of sales. This denied the state of more than $1 billion annually. Now all companies are required to pay on a percentage of sales. Under Proposition 39, for the first five years following enactment, 50 percent of the new revenues, up to $550 million annually, will be dedicated to clean or efficient energy projects. The remaining revenues are to be spent on schools, with an emphasis on those school districts and/or communities considered disadvantaged.

Disadvantaged communities will be determined based on geographic, socioeconomic, public health, and environmental criteria. These will include factors such as heavy pollution, a large number of people with low incomes, high unemployment rates, and low levels of home ownership or educational attainment.

The types of projects that could be eligible include energy efficiency retrofits and renewable energy generation projects. In addition to schools, eligible institutions could include universities, municipalities, and other public facilities. These funds might also be made available to assist municipalities in establishing property-assessed clean energy (PACE) programs, in-depth technical assistance for solar power purchase agreements, and workforce development training.

CARBON CAP AND AMERICAN TRADE ACTION FUNDS

The second source of revenue comes from the carbon cap and trade auction funds established by the AB32 Scoping Plan. AB 32, which was an assembly bill signed in 2006 by then Governor Schwarzenegger, requires California to return to 1990 levels of greenhouse gas emissions by 2020. It sets a statewide limit on sources responsible for 85 percent of California's greenhouse gas emissions, covering about 350 businesses, representing 600 facilities. The limits began this year for electric utilities and large industrial facilities. Distributors of transportation, natural gas, and other fuels are included beginning in 2015.

The plan sets up a trading program that allows companies that reduce their emissions below the cap to sell their credits to emitters unable to meet emission standards. The cap and trade program began with the state selling credits at auction to establish the market. The first auction, on November 15, 2012, raised $233 million. A second auction held February 19, 2013 raised $176 million.

State legislation has been authored to guide how the carbon auction funds will flow. The measures propose to ensure that at least 25 percent of cap-and-trade funds benefit disadvantaged communities. Funding could support renewable energy and energy efficiency, advanced vehicles, water and natural resource conservation, and waste reduction.

These two new sources of funding hope to benefit California by:

» Attracting additional clean energy investments to California
» Providing transparency, longevity, and certainty in California's climate policy
» Ensuring a significant portion of the money reaches communities that most urgently need clean air, and
» Improving California's economy, supporting local businesses, and creating good-paying jobs.

As envisioned, funding from Proposition 39 and the cap-and-trade program are intended to provide a significant boost to firms creating, implementing, or installing clean technology.

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