

THE SACRAMENTO BEE

New index measures greenhouse gas goal progress

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As California begins its quest to lead the nation toward a big reduction in greenhouse gases, the biggest question facing policymakers and the public is probably this: Can one state fight global warming while still growing its economy?

The new state mandate will require industries to change the way they do business and will almost certainly involve fees or taxes designed to increase the cost of anything that involves burning carbon – the essential element behind the fuel that moves our cars, the gas that heats our homes and most of the electricity that lights and cools our buildings.

If California makes it more costly to do all of these things and more, it risks pushing businesses, and jobs, to other states and countries that have not joined the drive to reduce greenhouse gases.

Not only would that hurt California's economy, it would also defeat the purpose of Assembly Bill 32, the landmark legislation that requires the state to reduce emissions 25 percent by 2020. If economic activity – and the emissions associated with that activity – moves elsewhere, then the state will have harmed its own well-being while doing little or nothing to help the environment.

Noel Perry, a Silicon Valley venture capitalist, believes that the Democrats who pushed AB 32 through the Legislature and Gov. Arnold Schwarzenegger, who signed it, were right when they said that California can have it all. The state can green its economy and grow it, too.

But Perry, as an investor, also has a habit of measuring his assumptions against reality. So he has undertaken a project to assess California's progress toward its challenging twin goals in the coming years.

The California Green Innovation Index is a product of Next 10, a nonprofit Perry founded two years ago to help citizens and policymakers understand the state's long-standing fiscal mess. That online model, which you can find at www.next10.org, presents background information and a series of choices players can make to see how to balance the budget with either spending cuts, tax increases or both over the next 10 years.

As its name suggests, Perry's latest endeavor focuses on innovation because he believes technological progress will be crucial to reducing greenhouse gases without slowing economic growth. The index, housed at the same Web site as the budget game, includes 45 measures of environmental progress and economic growth, sometimes comparing both at the same time.

"I hope it will inform the debate in this state and give a factual basis for decision-making," Perry said last week. "We are not advocates. We are trying to put out information that people can trust."

The index measures investment in "green" businesses, clean-technology patents, solar power installations, electricity use and utility bills, and much more. It has data on vehicle miles traveled, gasoline

sales and public transit use. It even records how much energy Californians use pumping water – which is responsible for a surprising 20 percent of the state's electricity use.

While the format of this year's inaugural presentation is a bit unwieldy, Perry promises that the foundation will update the index annually and that future versions will include a single chart from which citizens can track progress or the lack of it across the range of measures.

A key measure that sums up the entire challenge is one that compares carbon emissions per million people to the state's economic output.

Ideally, the two lines would move in opposite directions.

"We want the economy to grow while we want emissions to decline," said Doug Henton, an economist and Next 10 adviser. "That's it in a nutshell."

Interestingly, that's also pretty much what has been happening over the past decade – even without the state's intervention. California has been using less carbon per person while its economy has been growing.

But AB 32 raises the bar. It requires not just a reduction in carbon emissions per person, but a big reduction in the total amount of emissions, even as the state's population is expected to continue to grow by more than a half-million people per year. And as the innovation index shows, California begins this effort with its residents already producing emissions that are only half the national average and about one-third of the greenhouse gas emissions produced per capita in Texas.

Perry compares the greenhouse gas reduction goals to California's recycling program. In 1989, about 10 percent of the state's waste was diverted from landfills. But state-mandated waste reduction goals spawned an entire industry and new markets for recycled material, and today more than half the state's waste no longer goes to its landfills. Meeting the greenhouse gas goals, he said, can follow the same path, even if it might be more difficult.

"We've got our work cut out for us," Perry said. "AB 32 is a very challenging mandate."

Next 10's index can't settle the debate about whether the latest environmental policies are a hindrance or a help to the economy. But it will be a valuable resource for people on both sides of that divide who want to debate the issue with facts and not just assumptions and ideology.