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## **ICYMI: *The Wall Street Journal*: Editorial: California's Cap-and-Trade Bubble**

(SACRAMENTO)—*The Wall Street Journal's* editorial board yesterday wrote on California's struggling cap-and-trade system. The board explains how the quarterly auction only raised \$10 million of the \$500 million the California Air Resources Board projected, showcasing the shrinking demand due to regulatory and legal risks associated with the auction program.

### ***The Wall Street Journal*: Editorial: California's Cap-and-Trade Bubble**

When carbon cap and trade flopped in Europe, liberals blamed design flaws and hailed California's embryonic program as a better regulatory model. But cap and tax is struggling in the Golden State too.

A mere 2% of the carbon emissions credits that the California Air Resources Board (CARB) put up for auction in May were sold. The quarterly auction raised only \$10 million of the \$500 million that CARB projected. That's awful news for Democrats in Sacramento who planned to spend the windfall on high-speed rail, housing and electric-car subsidies.

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As Europe went, so heads California. CARB's auctions kicked off in 2012 with robust demand and have raised nearly \$5 billion. But demand has shrunk this year amid regulatory and legal risks. The California Chamber of Commerce has challenged the auctions as an illegal tax that CARB imposed without the constitutionally required two-thirds vote of the legislature.

Cap-and-trade revenues are supposed to fund only projects that reduce emissions, and the state Legislative Analyst's Office has questioned whether the funding recipients are doing so. For instance, the bullet train will release more carbon over the next three decades.

The legislature will likely also have to reauthorize cap and trade beyond its 2020 expiration date, and many Democrats will want changes. In 2014, 16 Assembly Democrats exhorted CARB to exempt transportation fuels. CARB estimates that cap and trade increases the price of gasoline by about 12 cents per gallon.

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CARB says this spring's auction bust is no big deal and regulators can withhold credits until the price rises. Unlike their European counterparts, California's climate crusaders don't seem to care if their businesses and consumers suffer.

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