

# Environmentally friendly

How the Global Warming Solutions Act of 2006 affects businesses **Interviewed by Meredith McKenzie**

**R**egulations associated with the Global Warming Solutions Act of 2006 (AB 32) are finally starting to be passed into law. AB 32 sets a goal for greenhouse gas emissions (GHG) in California to be rolled back to 1990s levels by 2020. While AB 32 sets California's position on dealing with global warming, it can be quite confusing.

"AB 32 didn't create any new regulations for reducing GHG emissions," says Tim Paone, chair of the Real Estate and Land Use Practice Group with Theodora Oringer Miller & Richman PC. "It set out a process where state agencies would develop regulations over a certain time period for Californians to reduce GHG emissions. But AB 32 didn't establish new regulations for businesses to follow."

*Smart Business* spoke with Paone about the regulations already in place for AB 32 and how to prepare for future regulations.

## What regulations have been adopted so far?

In land use, they're moving toward new guidelines under the California Environmental Quality Act that would give local agencies direction on how to address GHG emissions in new development. Those proposed guidelines have not yet been adopted.

There have also been a series of different recommendations from various agencies that are starting to turn into regulations. For instance, the California Air Resources Board (CARB), which has the primary responsibility to develop these new regulations, adopted a scoping plan about a year ago. This lists more than 70 different measures that affect a variety of industries. Some of these measures have in turn been enacted into law. These are very industry-specific types of measures, so you want to look at this scoping plan to see how it affects your business and industry.

## How will these regulations affect businesses?

AB 32 will have a dramatic effect on businesses once it plays out. Depending on the industry, some companies will have to conduct business in new ways to reduce GHG emissions.

Programs such as cap and trade could be put in place to limit the GHG emis-



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sions of certain industries. Companies may receive credits if they stay below these caps and may be able to sell those credits to another business that can't get below the cap.

Taxes on GHG emissions may also be put in place, similar to gas-guzzler taxes. If you spew too much into the atmosphere, you'll be taxed. There will also be very industry-specific regulations that will affect what you can and cannot do on a day-to-day basis.

There likely will be new green industries created to develop new technology that will help businesses reduce GHG emissions or to simply advise businesses on how to comply with the new regulations. So there will be a wide range of business opportunities.

## How can businesses prepare for these regulations and the changes associated with them?

The biggest thing is to stay on top of what's going on. There's a lot of information on CARB's Web site, [www.arb.ca.gov/homepage.htm](http://www.arb.ca.gov/homepage.htm). This allows you to look at the scoping plan to see what affects your industry. You can also keep up to date on the various regulations, where they are in the process and when they're

going to the Legislature.

You may want to seek professional advice if the regulations will have a huge impact on your business. You can also get information through trade associations. This is a very public process, so there are opportunities to have input directly or through lobbyists. The most important thing is to stay informed.

## What are the benefits and risks of AB 32 to businesses?

There will potentially be long-term cost savings to businesses but also additional costs. As a simple example, if you invest in fuel-efficient heating and ventilation systems, it costs you money to buy these items, but over time, you'll be saving money, as well. A lot of the measures in AB 32 will fall into that category. They'll require an initial capital investment, but there may be some long-term financial as well as environmental benefits. Other regulations will simply change the way people do business; there will be a cost that won't be recouped.

It's questionable how much good California acting alone will do to reduce GHG emissions. Global warming isn't like air quality, where your car spews out a little air pollution and it stays in the neighborhood. GHG emissions from California will co-mingle in a matter of days with emissions in China and together will have an effect on climate. So it may become frustrating for California businesses because of the burdens placed on them. It's a global problem that requires a concerted global effort, instead of just one state acting alone.

## Will companies receive aid to comply with these regulations?

It depends on the specific regulation. As these regulations start to trickle out, more tax credits and incentives will be discussed. Cars are a big part of reducing GHG emissions, so you might see tax credits for buying fuel-efficient vehicles on a consumer level. I expect there will be a lot of tax-based incentives to encourage industries to move rapidly to implement GHG emissions-reducing technologies. <<

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