

## Report: Valley unfairly penalized by California's energy policies

Published on 11/30/2015 - 11:11 am

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Is the Central San Joaquin Valley shouldering more than its fair share of the financial burden related to California's aggressive greenhouse gas-reducing energy policies?

The authors of a new report think so.

Bill Watkins and Matthew Fienup, economists with California Lutheran University's Center for Economic Research and Forecasting, say Valley residents and businesses pay more than their fair share for energy costs.

The two economists explained their findings recently at a downtown forum sponsored by the Fresno Chamber of Commerce's E.A.R.T.H. Committee, which seeks to develop partnerships between environment, ag, resources, transportation and water agencies.

The California Lutheran report pointed out that because the Central San Joaquin Valley differs demographically from much of the rest of the state — its residents tend to be younger, Hispanic and poorer — economic costs of greenhouse gas-reducing energy regulations here have a relatively larger impact than in other parts of the state.

“By their nature, increases in energy prices have an impact that affects various groups disproportionately,” Watkins said. “The poor, who pay a larger share of their income to energy consumption, are disproportionately harmed” by California's expensive energy policies.

So are energy-intensive industries “such as agriculture and manufacturing, sectors of the economy dominated by tradable goods and warmer geographic regions,” Watkins added.

Fienup called the Valley “the poster child” for increased energy costs related to AB 32, the California Global Warming Solutions Act of 2006, which requires sharp reductions in the state’s greenhouse gas emissions.

California energy costs are projected to increase by more than 50 percent by 2020, in part because of the regulations included in AB 32, Watkins said.

“The costs of energy regulation work exactly like a regressive tax,” he added.

To put together their 58-page report, the California Lutheran University economists used data from local, state, national, academic and industry sources to analyze energy cost impacts on the overall Valley economy as well as its businesses and consumers.

The report’s authors concluded that California lost a total of 262,000 jobs because of the state’s “energy-related regulations.”

The report pegged Valley job losses related to governmental energy policy at nearly 30,000.

“The San Joaquin Valley differs geographically from the rest of California,” Watkins said. “In particular, the Valley’s weather is different than that of coastal areas where most California residents live. It’s hotter in the summer [and] colder in the winter. Consequently, per-capita residential energy consumption is significantly higher in the Valley than in, say Los Angeles County.”

With the average California household paying an additional \$2,500 per year because of state energy regulations, Watkins said Valley residents “will pay far more than their share” because incomes in the Valley are so much lower than in the rest of the state.

“California businesses are at a competitive disadvantage because of the state’s high energy costs,” Watkins said. “The state is losing out to other more affordable states in terms of attracting new businesses.”

Watkins believes the divide between the coastal elite and everybody else is driving most of the issues in California, including those related to energy policy.

“At one time, California was the world’s most dynamic economy,” he said. “Today, the state leads the nation in wealth, poverty and inequality. And as for our business climate, *Chief Executive Network* magazine has ranked California dead last for ten straight year.”

Both of the California Lutheran economists were skeptical about the positive impacts related to AB 32.

“California is such a small part of the world’s carbon footprint and what we’re doing [with AB 32] isn’t making a difference,” Watkins said. “California may be leading but nobody else is really following,”

About 30 people attended the informational forum, including Fresno City Councilman Paul Caprioglio and staff members from Assemblymen Henry T. Perea and Jim Patterson’s offices.

“Policy makers need to understand the ways that our regional economy is being impacted by aggressive energy and environmental policies,” said Ruth Evans, chair of the Chamber’s Government Affairs Committee. “The Valley has a much higher unemployment rate than the state average and is suffering from the impacts of the drought, and yet the struggling businesses and families in this area are forced to pay far more than their share.”

“We should focus on implementing policies that promote economic growth and prosperity and avoid regulation that will drive away much-needed jobs and opportunity” from the area, Evans added.

Alison MacLeod of the Californians for Affordable and Reliable Energy (CARE) Coalition, helped organize the forum. She also pointed out that the makeup of the San Joaquin Valley economy differs considerably from other parts of

California.

“About 25 percent of San Joaquin Valley jobs are associated with tradable goods sectors, such as agriculture, which is higher than the statewide average of 15 percent,” MacLeod said. “The tradable goods sector will be impacted more intensely by higher energy costs because its markets are dictated by global factors and therefore companies don’t have the flexibility to change their pricing in response to unique California cost increases.”

John Larrea, director of government affairs for the California League of Food Processors, said food-processing plants located in the Valley are also particularly hard hit by rising energy costs.

“Our companies operate on a critical timeline during harvest season, when they need safe, reliable and affordable energy to power their facilities,” Larrea said. “Despite making major investments in energy efficiency upgrades and other technological improvements, our manufacturers are still saddled with a huge burden as energy costs continue to rise.”

“This is not just bad for individual businesses but also for the whole economy in the San Joaquin Valley where so many jobs are dependent on industries related to agriculture,” Larrea added.

MacLeod said the CARE Coalition hopes to “serve as a voice on the consumer side with regard to energy costs” and has helped the California Lutheran economists produce similar reports for the Inland Empire and Los Angeles and San Diego areas.

“What we want to do is motivate people to talk more about these issues,” MacLeod said. “Cost impacts of policy decisions are very real.”

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