

The Cost and Benefits of “Fuels under the Cap” Don’t Add Up



Senator Darrell Steinberg estimated the program would add 40 cents to the cost of a gallon of gasoline and said including transportation fuels under the state’s cap-and-trade program could “bring spikes and wild fluctuations in gas prices,” meaning gas prices could increase at any given time and without warning.

Darrell Steinberg, then-President pro Tem, California Senate, Address to Sacramento Press Club, February 20, 2014.

In January 2015, California’s market-based program to lower carbon emissions, known as “cap and trade”, will be expanded to include gas and diesel fuels, which will increase the cost of providing transportation fuel.

- According to an economic analysis by the California Air Resources Board (CARB), bringing “fuels under the cap” will increase the cost of gasoline by as little as 16 cents per gallon and as much as 76 cents per gallon.
- This gas price increase will be in addition to the 70 cents per gallon Californians already pay in gas taxes – the second highest in the nation.

The public is uninformed about the expansion to the cap-and-trade program, despite the significant cost impacts to motorists, businesses engaged in transporting goods, and the consumers of these products.

Delaying this program to allow time for state regulators to educate consumers and conduct a full study of the economic impacts and potential alternatives will not threaten California’s ability to meet its environmental goals. California has made significant progress in achieving greenhouse gas reductions. According to CARB, transportation related greenhouse gas emissions are on a downward trend, having dropped 11 percent between 2006 and 2012 due to such factors as new automotive technologies. More time and coordination could reduce the hardship on California residents.

Working families, small businesses and lower income consumers will be hurt the most by higher gas prices. “Fuels under the cap” aims to encourage people to change behavior. With the average price of gas already around \$4.00/gallon, individuals who have the means to do so, have bought more fuel efficient cars or changed behavior to drive less or take public transit. Many communities throughout California don’t have access to public transportation or new vehicles.

“Fuels under the cap” will have a ripple effect on our state’s economy – costing jobs and increasing the price Californians pay for food, electricity, and other essential goods and services. The economy is recovering, but it is still very vulnerable. California cannot afford to implement new regulations that could hamper our full economic recovery.

Californians for Affordable and Reliable Energy (CARE) is a broad-based coalition supported by the California Business Roundtable, small businesses, community groups, local officials, local business organizations, statewide associations, and energy consumers that are calling on policy-makers to ensure that we have a responsible energy plan that protects our state’s economy.

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