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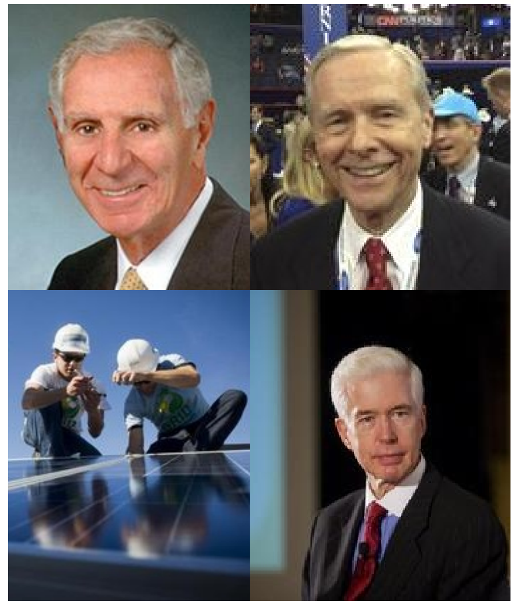

Viewpoints: Comprehensive energy plan must balance environment and economy

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Energy, the economy and the environment – the three are inextricably linked. Energy prices impact the economy, but energy production impacts the environment.

This important interrelationship was understood to be fundamental to the formation of energy policy when each of us served as governor of California. It was true then, and it is true now. Because of this, effective energy policy in our state requires a careful balancing of coequal economic and environmental interests.

Perhaps no one appreciates the challenge of achieving this balance more than we do. As three former governors, each of us had to grapple with tough issues during our tenures, and our collective experience includes lessons learned from energy policy decisions. Based on this experience, we believe that California is at a pivotal moment when a long-term energy strategy is urgently needed – especially if California hopes to increase its economic competitiveness while achieving its clean energy and environmental goals. To do this, we encourage the development of a clear, coordinated and comprehensive energy plan for California.

Fact is, energy is the lifeblood of modern society, and energy reliability and affordability are critical to economic strength and security. It is no accident that the world's largest economies, such as the United States, China and the European Union, are also the world's largest energy consumers.

As a result, energy costs dramatically impact a region's economic competitiveness. In this regard, new data from The Boston Consulting Group lists the U.S. as a "Rising Star" nation in their Global Manufacturing Cost-Competitiveness Index, citing as a key reason, "a big energy cost advantage that is largely driven by the 50 percent fall in natural-gas prices since large-scale production of U.S. shale gas began in 2005." By contrast, China experienced a 138 percent increase in gas prices over this same period. And according to the Financial Times, EU electricity prices are 37 percent higher than in the U.S., resulting in “a steady stream of announcements from European manufacturers about plans to build new production facilities in the U.S.”

Increased production and use of domestic energy, including oil and natural gas, not only improves competitiveness and reduces energy costs, but a growing energy industry will itself fuel the economy and create jobs. And thanks to increased domestic production, the U.S. has reduced its reliance on imports from 60 percent in 2005 to less than 33 percent last year, dramatically reducing our dangerous dependency on imports from nations decidedly hostile to the U.S.

The U.S. is experiencing an energy renaissance and enhanced global competitiveness. California is proceeding with its energy transformation at an even more challenging pace than what’s happening on the national level.

California’s ambition is to be both a climate change policy leader and an economic leader. Since the 2002 adoption of Assembly Bill 1493 and the 2006 adoption of AB 32, the Golden State has implemented initiatives aimed at reducing greenhouse gas emissions and encouraging new energy technologies. As a result, California now leads the nation in electricity generation from solar, geothermal and biomass, and is on pace to achieve a goal of generating 33 percent of the state’s electricity from renewable resources by 2020. We also lead the nation in sales of alternatively fueled vehicles and reformulated gasoline designed to reduce emissions.

Our state’s current climate policies favor alternative energies and their many benefits, but we must be mindful of their impacts on costs. Our policy choices are increasing the price of traditional sources of energy, which means California businesses and consumers pay more than those in neighboring states.

We must recognize. then, that while seeking technological innovation to reduce our dependency on them, conventional energy resources must play a vital role in controlling costs, maintaining reliability and supporting our state’s economy. The Los Angeles County Economic Development Corporation found that statewide, the oil and gas industry contributed $220 billion in direct economic activity and supported 468,000 jobs in 2012. This includes some of California’s highest-paying blue-collar jobs, which are especially needed in such regions as Southern California and the Central Valley. We can appreciate the importance of conventional resources, and at the same time encourage technological innovation, facilitate investment in research and development, and promote cost-effective cleaner alternatives.

The Legislature intended AB 32’s policy direction to be a source of economic benefit, not economic hardship. We need to be sure this intent becomes the reality. But a series of reports from nonpartisan organizations like the Little Hoover Commission, the Hoover Institution and the Legislative Analyst’s Office among others, all highlight the lack of an integrated state energy plan as a challenge we need to overcome. Such a plan is needed to provide the coordination, guidance and strategy to achieve our state's environmental and economic goals.

A comprehensive plan will offer a pathway to accomplish these goals while capturing emerging energy opportunities, both conventional and renewable, for the benefit of California consumers. A good energy plan will also recognize that strong economic competition from other states and nations absolutely requires that California's energy costs remain competitive for business.

Former Govs. George Deukmejian, Pete Wilson and Gray Davis are members of the Southern California Leadership Council, a nonpartisan, nonprofit public policy partnership.

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