Calif. delays cap and trade

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(AP) -- California regulators on Wednesday said they would give power plants, refineries and other major polluters another year to comply with a new state program that provides financial incentives to emit fewer greenhouse gases.

Mary Nichols, chairwoman of the Air Resources Board, said in testimony before a state Senate committee that the government is giving California's major polluters until 2013 to comply with its cap-and-trade program.

Most polluters previously were to have begun cutting emissions under the program in 2012. The program was passed in December by the board, which said it hoped other states would follow suit since Congress had failed to pass national climate change legislation.

"This would not affect the stringency of the program or change the amount of emission reductions that the program will achieve, keeping us on track to meet the 2020 target required by AB32," Nichols said.

Cap and trade is the key piece of the California's 2006 climate law - called AB32 - and will cover 85 percent of the state's worst polluters.

Nichols said the state would still initiate the regulatory framework for cap and trade in 2012, pending the outcome of an appeal of a lawsuit challenging the program.

In general terms, California's cap-and-trade program works by requiring companies that produce pollution, such as a utility or a refinery, to buy permits from the state that allow it to send a specified amount of carbon dioxide and other greenhouse gases into the air each year. Those permits could then be bought and sold by the polluters in a marketplace.

If a company in Long Beach is 20 percent under its pollution allowance, for example, it can sell the unused portion to a company in San Francisco that has exceeded its quota.

The seller company gets to keep the money, so polluters can even make a profit, if the marketplace sets a price above the initial cost of the permit.

The amount of emissions allowed would be reduced over time, and the regulations would expand in 2015 to include refineries and fuel distributors, such as oil companies.

The cap would reach its lowest level in 2020, when California wants its greenhouse gas emissions reduced to 1990 levels.

The delay announced Wednesday comes about three months after a San Francisco Superior Court judge halted work on the program, saying the air board had not properly considered alternative programs, as required by state law.

But a state appeals court on Friday allowed the board to resume work on the program, pending an appeal. That has allowed the board to schedule two public hearings on July 8 and 15 to discuss the plan.

"The delay in initial compliance lets the program get on its feet without the angst of everybody asking the question `are they ready?'" said Jon Costantino, a senior adviser at a Sacramento law firm who served formerly as the climate change planning manager at the Air Resources Board. He said the delay gives the board a full year to put finishing touches on the program without having to deal with companies dealing with compliance for the first time.

"Pressure was building on the program. This lets some of that go," he said.

Some environmental groups applauded the board's efforts to allow more time to hone the regulation while not giving up its overall goals.

"This is a smart and responsible step that also ensures that the greenhouse gas pollution reductions required by the program remain unchanged," said Derek Walker, director of strategic climate initiatives for the Environmental Defense Fund.