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Companies Blow Their Caps Over Pollution Rule

EMISSION: Moratorium on permits blocks upgrade, expansion plans.

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Hundreds of local businesses are steaming mad over a court-imposed freeze on permits issued by the South Coast Air Quality Management District for new or expanded facilities that add emissions into the atmosphere.

The freeze, which could last through the end of this year, affects smaller businesses that need to buy credits in order to obtain permits for additional equipment or new facilities. Because the companies couldn't afford the credits, with prices as high as \$2 million for a single piece of equipment, the AQMD set up a bank that distributed the credits free or at deep discounts.

The freeze began in November after environmental groups prevailed in a lawsuit and Los Angeles Superior Court Judge Ann Jones ordered the district to stop issuing discounted pollution credits under the cap-and-trade program.

Environmental groups had contended that handing out discounted credits defeated the purpose of the cap-and-trade program, which was to force the cost of credits to rise to the point where making the emission reductions would be cheaper. Facilities that received free or discounted credits, they argued, were getting a free ride and being allowed to pollute without paying the full cost.

The lawsuit itself stemmed from a 2001 decision by the air district to include power plants in the discounted credits program; this step was taken at the height of the state's power crisis when then-Gov. Gray Davis lifted environmental barriers to the construction of new power plants.

Jones' ruling blocked permits for hundreds of facilities that were seeking to upgrade equipment or expand. Those facilities range from print shops seeking to install new presses to auto body shops looking to add spray paint booths. And because construction contractors were also denied new permits, some public sector projects have also faced delays.

"The result has been devastating, far beyond what we believe Judge Jones intended," said Bill LaMarr, executive director of the California Small Business Alliance, which represents several trade organizations in their dealings with state and local elected officials and regulators. "I've got members who are telling me that they've had to place upgrades on hold; some have even laid people off because of this."

One alliance member, William McKenna of G.M. Platinum Coachworks, an auto body shop in Covina, said Jones' ruling wasn't reasonable.

"This ruling appears to have not been carefully considered as to the ripple effect it will cause through not only my industry, but many similar industries, and the overall economy," he wrote to the AQMD