



# Venture Capitalists: Move to Repeal California Climate Law Endangers a Job Creator

SolveClimate.com

February 22, 2010

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Perceptions of whether California's Global Warming Solutions Act, AB 32, is going to save or destroy the California economy depends on who's doing the talking.

Opponents, like Republican gubernatorial candidate Meg Whitman, say the measure is too expensive and will destroy jobs in California. In fact, she has made suspending the greenhouse gas reduction law a cornerstone of her campaign. She also suggests that California's Environmental Quality Act, a model for environmental protection laws in other states, needs drastic reform.

Whitman and other opponents of AB 32, including those trying to get an initiative on the November ballot to suspend the law, argue that if the regulations are implemented, more than a million jobs in California may be lost.

Supporters of AB 32 say Whitman has it backwards: Implementing AB 32 will create jobs and without it, the California economy cannot recover from its current 12.4% unemployment level.

A recent analysis by Next 10 suggests that AB 32's measures would generate 112,000 jobs and increase California's Gross Product by \$20 billion. The study also found that failing to diversify California's energy portfolio toward more renewable fuels and energy efficiency would risk losing "more than a half million jobs by 2020 and over \$80 billion in Gross State Product."

"We have 3,000 green businesses already in the state relying heavily on the law going into effect," says Steve Maviglio of Forza Communications, who represents Californians for Clean Energy Jobs, a coalition of environmental groups and businesses that support AB 32.

"These companies are building products and manufacturing goods so that we can comply. Reversing the law would have a negative effect and increase unemployment."

A number of California's venture capitalists agree.

Mike Mielke of the Silicon Valley Leadership Group says the group's members, including Google, Cisco, Apple, HP, Intel, Silicon Valley Bank and Meg Whitman's old company, eBay, all strongly support AB 32. "It's the right thing to do for the environment and for public health, but also because clean and green is the big thing in Silicon Valley," says Mielke. "Venture capital has been moving away from software and hardware into clean tech. It's a business creator and job creator."

Mielke is concerned that suspending AB 32 will have an immediate negative impact on the California economy.

"There is a lot of investment right now in this space that's creating businesses and jobs and, to be honest, a lot are early stage," says Mielke. "If you remove AB 32, and that removes the signal to the market that clean tech and green tech companies are responding to, that means immediate loss of jobs."

Steve Westly, a venture capitalist and former state controller, is concerned that suspension of AB 32 will send those jobs to other states.

"In order for our state to thrive and our economy to grow, we need to encourage innovation and job creation. AB 32 provides that encouragement to inventors and entrepreneurs who might otherwise take their companies or ideas to other states," he says.

Westly believes that if Whitman wins the Republican nomination, VC firms like his will have to evaluate the potential impact on their portfolio companies and on new investments.

On the other hand, Westly says implementation will have huge positive implications for California. "It will result in an enormous gain for our economy. We will see new job creation, an expansion of the tax base, and California will continue to be the engine that drives the American economy."

Tom Soto of Craton Equity Partners, a Los Angeles based capital firm concurs that AB 32 has increased the "velocity of interest and affection toward the clean tech market" in California among venture capitalists. While he believes that clean tech investment isn't going to dry up, he is also concerned that suspension or repeal of AB 32 will destroy current and future jobs in California. He says that opposing AB 32 will end up being a political liability for Whitman and others among investors and California business owners.

"At the end of the day, it really is about job creation," says Soto. "There is no silver lining on this economic downturn outside of green jobs. Those supporting the repeal of AB 32 want to remain entrenched in this great recession and aren't looking forward enough to see how clean tech investment leads to jobs."

Like Mielke, Soto warns that these are not just future jobs, but current jobs that would disappear should AB 32 not be implemented.

"It's an item that policy planners who are responsible will look at from a compliance and liability standpoint. It's already engaging a vast economic conversion that has led to economies of scale for innovations that already have traction," says Soto, talking about conversions at the ports of Los Angeles and Long Beach to trucks that use cleaner fuels and electric short-haul vehicles, in part stimulated by the California Clean Air Act.

"Those are green jobs, those are people manufacturing stuff. In our portfolio, we have eight or nine companies with 600 employees and 80 to 90 million dollars a year in revenue with high wage, high skill jobs. Those are folks that are sending their kids to school, paying taxes, paying mortgages, all because of the green economy. Repealing AB 32 denies the quality of life for those people," Soto says.

"Even in the last quarter of 2009 green technology was the fastest growing sector by 38 percent and for all of 2009, 27 percent of investment was in clean technology. It's not just a repeal of AB 32 but a repeal of the ability to put people to work."