



The Most Expensive Thing We Can Do Is Nothing

An Open Letter on Global Warming from California Economists

August 2006

Dear Governor Schwarzenegger and California Legislators,

AS CALIFORNIA ECONOMISTS with expertise in energy and environmental policy, we believe that the State of California should move quickly to control global warming gases.

California's economy is vulnerable to climate impacts, including changes in water availability, agricultural productivity, electricity demand, health stresses, environmental hazards, and sea level. Action to reduce emissions will lower the costs of adjusting to climate-related disruptions and serve as public insurance against more dramatic damages that can be expected when opportunities to adapt are limited.

While global climate change poses significant risks to the California economy, we believe that well-designed strategies to limit global warming gases can reduce emissions substantially at low or no cost to the state, and could yield economic (as well as climate) benefits. Well-designed strategies can stimulate innovation and efficiency, which could help the state become a technological leader in the global marketplace.

Global warming gases will be best managed through a combination of policy approaches. Emissions caps combined with a range of regulatory and market-based implementation mechanisms offer a particularly potent strategy because they provide clear incentives for changes in business practices and the development of new technologies. Such an approach assures that economic forces are directed to finding the most efficient means of reducing emissions.

We urge you to accelerate climate action policies that will demonstrate political leadership and create economic opportunities in California. The most expensive thing we can do is nothing.

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