

Economic Opportunities for Small Business Under AB 32

Executive Summary

October 18, 2010

Executive Summary

Introduction

In 2006, California enacted the Global Warming Solutions Act, commonly referred to as AB 32. The legislation called for ambitious reductions in the state's carbon emissions. In its wake, a debate has grown on the effect it will have on California's economy—and particularly on small businesses.

Significant policy changes always spur debate, however the tough economic climate has heightened the controversy. Opponents claim the legislation will cost the state jobs, while proponents contend it presents opportunities to create jobs and encourage new investments.

This report focuses on the opportunities the legislation provides to California small businesses. It includes an analysis of how the legislation will affect a diverse set of industries, both “old and new Main Street,” that employ millions of Californians. The findings show the overall economic growth from increased investment and innovation will benefit a wide range of small businesses across the state.

Key Findings

AB 32 provides many opportunities for small businesses to gain a financial edge in the burgeoning clean energy sector, and lays the foundation for significant growth in many industries connected to it. These opportunities include:

- **Increased Investment in Energy Efficiency.** Climate change legislation will fuel demand for and increase investment in energy efficiency goods and services, thus generating new prospects for small businesses that provide them. It will boost investment in building retrofits, new construction and renewable energy generation—industries primarily composed of small firms that do the majority of hiring. Being that more than 80% of window manufacturers, 90% of HVAC equipment makers and 90% of contractors in the construction industry are small businesses, these sectors stand to see direct increases in their business activity, which means new jobs for the workers they employ.
- **Incentives for Companies to Go Green.** AB 32 will create savings and boost profit margins for new and existing “Main Street” small businesses that successfully go green and employ brand differentiation strategies to grow their businesses. Information and resources, including government programs to facilitate the law's implementation, will be available to small businesses so they can purchase and invest in new technologies like energy efficient appliances and equipment. This will increase demand for green products and services and reduce energy costs, putting more money into the pockets of small business owners and empowering them to hire more workers and expand their firms. Other benefits of green brand differentiation, such as strong customer loyalty and greater employee retention, provide small businesses with long-term stability.
- **Increased Spending on Non-Energy Purchases.** AB 32 will reduce spending on energy expenses and increase demand in many sectors for goods and services, which will in turn pad small businesses coffers. AB 32 is expected to save Californians \$2 billion annually in personal income due to decreased household energy costs, which will allow them to spend money on non-energy expenditures such as retail goods and professional services. Firms that aren't directly tied to the clean energy sector will also reap the rewards of this emerging industry through indirect business transactions.
- **New Innovation.** AB 32 is already driving investment in and development of technological innovation, and will continue this trend through its implementation. The innovative push of the law may be one of the greatest economic benefits to small businesses and the state economy as a whole. Billions of dollars have already been invested in California's clean technology firms, and since small companies are a substantial source of patent activity, the job growth potential is unlimited.

Conclusion

The economic potential AB 32 creates for small businesses is substantial. It lays the foundation for financial savings and development that, in turn, leads to job growth. In an economic environment where small business owners are searching for more ways to get ahead, this report finds that California can harness its tradition as a national leader in technology and innovation to gain many of the advantages this legislation offers.



4000 Bridgeway, Suite 101
Sausalito, CA 94965
866/597-7431
info@smallbusinessmajority.org
www.smallbusinessmajority.org