

The Cost of Living Consequences of SB 684 & AB 1243

EXECUTIVE SUMMARY

OVERVIEW

SB 684 (Menjivar) and AB 1243 (Addis) propose the establishment of a de facto carbon tax in California—administered not by elected legislators, but by Cal/EPA through a compressed rulemaking process. These identical bills would authorize Cal/EPA to identify oil and gas companies deemed “responsible parties” and assign them financial liability for climate-related costs spanning from 1990 to 2045. Although structured as corporate penalties, the estimated \$51.7 billion per year in cost recovery demands will ultimately be passed on to consumers, echoing the findings of the Center’s previous report on SB 222.

These **bills build on the same flawed premise as SB 222—shifting massive climate-related costs to the private sector** without economic safeguards or legislative oversight. But while SB 222 relies on the courts and legal action, SB 684/AB 1243 achieve similar cost impositions administratively, through mandates rather than lawsuits. In both cases, the result is the same: a steep increase in the cost of living for all Californians, particularly renters and working families.

This analysis, conducted by the California Center for Jobs & the Economy, mirrors the approach used in our prior study of SB 222. It utilizes:

- Regulatory cost models, emissions data from CARB, and fuel consumption trends;
- Social Cost of Carbon metrics proposed by the U.S. EPA (2023) to estimate total damages;
- Household income and IMPLAN input-output modeling to determine the economic effects of reduced consumer spending on employment, wages, and tax revenue.

Assuming standard cost pass-throughs in California’s heavily regulated energy markets, the report conservatively estimates an **annual household burden of up to \$3,400, with the sharpest impact falling on renters and low-income residents.**

The **new carbon fees function as massive indirect taxes on working Californians**, with effects that ripple across goods, services, and regional economies. These burdens would hit small businesses, manufacturing, logistics, and tourism sectors especially hard.

KEY FINDINGS:

UNAFFORDABLE ENERGY, UNSUSTAINABLE HOUSING COSTS

▲ Exploding Energy Costs

- **Gasoline prices** projected to **rise by 95% by 2027** (to \$8.49/gallon), with 43% of that increase stemming directly from SB 684/AB 1243.
- Natural gas rates increase up to 117% for industrial users and **52% for households**.
- Electricity rates increase 8–16%, compounding already record-high California prices.



Renters Face Disproportionate Housing Impacts

- **Renters' annual housing costs would rise by \$1,340**, compared to \$890 for homeowners.
- **Utility-driven inflation means 5.1% higher housing costs for renters**, who already struggle with affordability in California's overheated rental market.

Economic Fallout: A Blow to Households and the State

- **205,000 jobs lost statewide** due to reduced consumer spending.
- **\$30.5 billion reduction in state GDP** each year from 2027–2046.
- **\$4.5 billion loss in state and local tax revenue**—undermining schools, transportation, and public services.

CONCLUSION

DOUBLING DOWN ON A FAILING APPROACH

SB 684 and AB 1243 replicate the worst aspects of SB 222, imposing economically devastating carbon cost structures while ignoring affordability, energy reliability, and consumer protection. Just as the Center's SB 222 report warned of litigation-driven price shocks, this new analysis shows how administrative mandates can achieve the same harmful results.

ABOUT THE CENTER FOR JOBS

The California Center for Jobs and the Economy is a research and policy organization dedicated to analyzing the economic impacts of legislative and regulatory proposals on businesses, workers, and consumers in California. The Center provides data-driven insights on key economic issues, including employment trends, business competitiveness, energy costs, and the overall cost of living. By leveraging detailed industry and economic data, the Center helps policymakers, business leaders, and the public understand how proposed policies could affect jobs, household expenses, and economic growth in the state. Through its reports and analysis, the Center serves as a resource for fact-based discussions on maintaining a strong and sustainable economy in California.