



Our Children's Earth Foundation | 100 First Street, Suite 100-367, San Francisco, CA 94105

NEWS RELEASE

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ENVIRONMENTALISTS SETTLE SEVEN FEDERAL LAWSUITS OVER EMBATTLED POLLUTION TRADING CREDITS; COMPANIES TO REDUCE OVER 200,000 POUNDS OF SMOG-FORMING POLLUTION

Los Angeles, California -- Our Children's Earth (OCE) Foundation and Communities for a Better Environment (CBE) today filed documents in federal court to settle federal Clean Air Act citizen suits brought against United Airlines and So Cal Gas for violations of a Los Angeles area pollution credit trading scheme called RECLAIM. OCE and CBE have successfully reached settlement on five similar actions brought in Los Angeles federal district court. The seven settlements, which also involve National Gypsum Co., Crimson Resource Management Corp., Western Metal Decorating, Fontana Paper Mills, and Van Can Co., require the elimination of more than 200,000 pounds of smog-forming nitrogen oxides ("NOx") by completion of a number of environmental improvement projects and pollution credit retirement.

"While the Bush administration touts pollution trading programs as a solution to our environmental problems, these cases show that companies can abuse a pollution trading program to the detriment of us all the same way Enron and WorldCom have taken advantage of investors," said Tiffany Schauer, OCE Executive Director. "We are pleased, however, the way these defendants have stepped forward to settle these cases in a way that really benefits the environment."

The settlements, contained in seven separate consent decrees, filed in federal court in Los Angeles, resolve lawsuits filed in March alleging that the companies emitted excess NO by failing to comply with federally-approved Regional Clean Air Incentive Market ("RECLAIM") rules. Some companies are required to purchase and install better equipment that will reduce NOx emissions. Two others are making payments to purchase and operate natural gas school buses. All have permanently retired the pollution credits to make up for their alleged violations of the Clean Air Act.

"This is a great victory for clean air," said Scott Kuhn, CBE Staff Attorney. "These settlements require companies to reduce emissions and help curb abuse of the pollution trading programs."

Created in 1993, RECLAIM is a "cap and trade" air pollution-trading program designed to control emissions of NOx in the greater Los Angeles area. NOx leads to the creation of ozone, the principal element of smog. The greater Los Angeles area is the smoggiest in the nation and

ozone levels in are often twice the federal health standard A recent study has shown that children playing sports in smoggy areas are three times more likely to develop asthma. Under RECLAIM, each participating facility is given an annual allocation of RECLAIM pollution credits trading credits ("RTCs") which equals the maximum amount of pollution which they can release. Facilities must hold credits equal to their actual emissions. If a facility wants to pollute above their allocation, they must offset that excess by buying RTCs. If they under-pollute, they can sell their excess RTCs. RECLAIM participants must hold sufficient RTCs to cover the amount of NOx emitted by the participant up to that point in the year.

The lawsuits alleged violations of the Clean Air Act by failing to purchase sufficient pollution credits as required by federal law. As a result, more smog-causing pollution was released than allowed by federal law. A similar lawsuit against the City of Burbank continues.

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