

Wilson left Davis with an MTBE headache, and it's still throbbing

By Dan Walters –Sacramento Bee Political Columnist
Published 5:30 a.m. PDT Friday, March 22, 2002

It's been a semi-tradition for outgoing California governors to stick their successors with budget problems -- such as the multibillion-dollar disaster that Pete Wilson inherited from George Deukmejian in 1991. Gray Davis, in fact, is one of the few recent governors not to find a fiscal mess when he took office in 1999.

But Wilson did leave him another Excedrin-size headache that's still throbbing three years later. And it's a tale best told from the beginning.

MTBE is a chemical compound found in most California-sold gasoline, as a response to a federal mandate to use "oxygenates" to promote cleaner fuel burning and therefore less pollution. But in a classic act of bureaucratic and political bungling, when the state approved MTBE, nobody bothered to learn whether it would cause other problems, and it turned out to be a severe water polluter. Wilson signed legislation requiring the governor to decide whether to continue MTBE's use but left the actual decision to Davis, who immediately faced heavy lobbying pressure from all factions.

Actually, the issue was never whether MTBE would be continued, but whether it would be removed immediately or phased out over several years. And looming in the background was whether gasoline could be made clean enough without oxygenates, as refiners claimed, or whether the state would have to use a substitute -- most likely ethanol, an alcohol made from grain. The issue went beyond California -- way beyond. Midwestern grain growers were lobbying Washington to continue the oxygenate requirement. But with

California burning 14 billion gallons of gasoline a year, it was uncertain whether there was enough ethanol available, and there were predictions that such a shift could add billions of dollars to gasoline prices.

Davis resolved his dilemma in characteristically risk-minimizing fashion, ordering a delayed phaseout, taking effect in 2003, in hopes that the federal government would lift the oxygenate requirement altogether. The Clinton White House seemed disposed to do it but delayed action from fear that it would alienate Farm Belt voters and hurt Al Gore's 2000 presidential prospects. And with the confusion and angst that followed the election, the oxygenate issue was still pending when George W. Bush was inaugurated.

Bush had scarcely moved into the Oval Office before Davis began berating him over the state's energy crisis, and the Bush administration jabbed back, decreeing that the oxygenate requirement would remain intact -- a move that also pleased voters in Farm Belt states where several key Senate races loom this year. Davis was forced to decide whether to stick to the 2003 MTBE demise, thereby risking severe gasoline price hikes, or order another delay and continue polluting the water.

As usual, there was an array of side agendas. The oil industry wanted to stick with the phaseout, saying it was ready to make the transition. Methanex, a Canadian MTBE maker, sued California in federal court, alleging that the phaseout violates the North American Free Trade Agreement and claiming that Davis' action was "politically motivated" by campaign contributions to the governor from Archer Daniels Midland, the very influential producer of ethanol. While California's members of Congress were demanding an end to the oxygenate requirement, thereby taking Davis off the political hook, the Senate's top Democrat, Tom Daschle, was insisting that it remain, a gesture to his South Dakota grain growers. Daschle eventually agreed to a lesser amount of ethanol.

A week ago, Davis finally acted and once again tried to buy time -- if nothing else to postpone the collision over ethanol until after the November election. He delayed MTBE elimination for another year, arguing that if ethanol had to be substituted, gas prices would soar. "I'm not going to allow Californians to be held hostage by another out-of-state energy cartel," he declared in a campaign-style sound bite.

The decision alienated environmentalists and water quality officials, but given the unpalatable choices before him, it was probably Davis' least risky political course. A gas price spike would have been immediate; the health problems, if any, from MTBE will arrive years after his governorship is a page in the history books.