

Dec 18 Regulatory Issues- Improving Coordination and Achieving Better Results

9:30-9:50am *Guest presenter: Kevin Kennedy, Chief, Program Evaluation Branch, Office of Climate Change, California Air Resources Board; Impact of AB32 on industry*

Discussion Questions

- 1) What is the importance of early actions under AB32 in helping to promote industrial energy efficiency?
 - Extremely important to act now on energy efficiency measures
 - EE and renewables (existing technologies) could get CA to the 2020 goal
 - Need a way to document GHG savings from ee actions now- what is the methodology?
 - a. Protocols in place through the CA Climate Action Registry
 - b. 2008 is the test year for these protocols
 - need to address how will additionality be handled
 - a. requirement for trading in offset markets
 - b. any actions that are taken next year will be treated the same as actions taken after the regulations are in place (no inherent risk)
 - c. scoping plan will encourage rather than *discourage* energy efficiency actions prior to 2011
 - i. how about actions taken in 2007 after the bill was passed?
 1. still working with the Board on this
 2. strong argument to make it the day the bill became law
 3. key seems to be documentation and verification
 4. seem to be general utility support for this approach
- 2) What would be the benefit to industry if California agencies were to coordinate on AB32 implementation? How can this be accomplished?
 - Agencies are coordinating, but there are things going on that could be more fully coordinated- examp: Joint Commission
 - CPUC and ARB are communicating regularly on modeling and other issues
 - Can the CPUC provide leadership in documenting the benefit of early actions? This would be helpful
 - What coordination is specific to industry?
 - a. Broad-based Business and Industry Team
 - b. Climate Action Team for Industry? Kevin to check this out and provide additional information
 - c. Establish a “fixed link” between the CPUC Strategic Planning process and ARB Scoping and planning process
 - Need to build in the added value as a rate payer benefit from complying to AB32 as part of the cost-effectiveness calculation for e-e improvements
 - What coordination will be occurring with local regulators?
 - a. A traditional role of ARB is to work with local air districts- will extend to AB32

- b. Example: companies have facilities across several districts-- through consolidation could result in emissions increasing in a given district while declining overall
- 3) Is there a role for carbon offsets in a California industrial energy efficiency program?
- Yes, but needs to be defined
 - a. Geographic scope is under consideration (CA, regional, other?)
 - b. Types of projects- industrial energy efficiency could be included
 - Industrial energy efficiency should be related- but not trade one for the other
 - Carbon offset policy should not have a negative impact on the whole net to gross discussion with the utilities
 - Don't want compliance/credit in response to AB32 to be considered to define a "free rider" for utility energy efficiency program incentives
 - a. Can the state incent appropriate actions that help the state achieve its goals? There is an issue with the way that free-ridership is defined for industry
 - b. Use a "net benefits" approach- don't look at this in silos (energy efficiency, GHG, water)- simplify the process
 - Use of utility programs to comply with AB32 requires revisiting the cost effectiveness calculation
 - a. Incentives help companies take action early – when ratepayer funds are made available is the issue and the prospect of "take backs"—concern is that they can't receive or will lose funds if they have undertaken ee incentives that end up helping the company to comply
 - promote ee program- supply and distribution benefit as well as GHG reduction benefit
 - would you have done it anyway? You assume that I will stay in CA even if incentives are not available to take a particular action that reduced energy intensity—this may not be true and the decision may be made overseas
 - b. Two issues: Funding as well as the crediting need to be considered- double counting of emissions reductions must be avoided
 - Can there be a solution that doesn't require industry to shut down plants and leave the state to comply?
- 4) What changes in environmental permitting would create more favorable conditions for increasing energy efficiency in industry? Who needs to be involved?
- [ran out of time to address this question]