

November 1, 2013

Mary Nichols
Chair, California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Scoping Plan First Update- Discussion Draft

Dear Chairwoman Nichols and members of the Board,

Advanced Energy Economy (AEE) is a national organization of businesses who are making the global energy system more secure, clean, and affordable. Member companies represent a wide range of technologies from energy efficiency, demand response, renewable energy, natural gas, small-head hydro, electric vehicles, smart grids, and many more.

We appreciate the opportunity to provide comment on the Climate Change Scoping Plan (discussion draft) released on October 1. California's climate program is at a critical stage and we believe this update presents an enormous opportunity to describe key areas that can maximize greenhouse gas emission (GHG) reductions and economic growth. We offer the following input and recommendations for your consideration.

Establish a midterm target to drive progress

AEE supports the recommendation to adopt a midterm goal. Establishing a 2030 goal will provide industry with much needed regulatory certainty as well as help keep the state on pace to meet the significant emission reduction goals in 2050. This is an important step and should be developed to provide business and investors a clear market signal moving forward.

Emphasis on regional and Federal action is important

AEE supports the state's efforts to expand the market for advanced energy and opportunities for collaboration with various regions. Regional markets and programs provide a greater opportunity for California businesses and limit the state's exposure to emissions leakage. Strong regional efforts that align state programs will also minimize any potential harm on segments of the economy that are particularly sensitive to the regulations.

As Federal regulators continue to develop rules to regulate carbon emissions under the Clean Air Act, it is important for California leaders to promote a Federal program that reinforces the existing AB 32

vision and maintains certainty for all stakeholders actively involved in the ongoing implementation process. AEE believes a well-aligned Federal program will help complement California's existing AB 32 program and acknowledge the early action taking place in the state.

Flexible energy grid is key to meeting post-2020 goals

As California continues to integrate an increasing amount of renewables and advanced energy into its energy mix, it is clear that the state's electricity grid will have to become smarter and adapt in order to accommodate demand. The regulatory measures outlined in the discussion draft will not achieve deeper reductions beyond 2020 on their own. The scoping plan must recognize the need for a multi-technology approach that extends beyond existing utility and regulatory programs. A more flexible grid will include better demand response integration and increased innovation in energy efficiency. In addition to upgrading the transmission and distribution system, we support the draft recommendation to enable and support further development in areas such as energy storage, combined heat and power and fuel cell technologies. These technologies will continue to play a vital role in providing the state with a secure and low-carbon energy mix.

Transportation recommendations beyond 2020

The actions recommended for the transportation sector reflect deep infrastructure needs and further investment in advanced fuels and zero emission vehicles. We support the recommendations expressed in the discussion draft and encourage state regulators to reinforce the need for a broad mix of technologies in addressing the state's transportation emissions. As noted in the discussion draft, passenger vehicles continue to be an important area of focus. AEE also agrees there is a significant opportunity to maximize efficiency in goods movement. Advanced fleet management, vehicle-grid integration and understanding the role of natural gas in meeting future demand are all essential to meeting the state's goals.

Maximizing return on investment

AEE agrees that, "California must plan how best to invest the numerous sources of potential funding to maximize GHG emission reductions and co-benefits." We believe leveraging and aligning existing and new funding streams will maximize investments and emission reductions. AEE recommends increased emphasis on the role of private capital in achieving the significant mandates and reductions outlined in the discussion draft.

As you are aware, California has a number of existing energy finance entities, including the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA), the California Pollution Control Financing Agency and the California Infrastructure Bank. Too often, however, the funding programs administered by these existing entities have difficulty overcoming individual financing silos, even when funds are available. As such, in structuring the financing elements utilizing AB 32 revenues and other sources aiming to reduce GHG emissions, the state should seek to break down the barriers between existing programs and better align current and new programs to more efficiently and effectively deploy limited public funds. In particular, the state should look for opportunities to achieve scale across programs and improve efforts to attract private capital. This includes standardizing application requirements, contractual terms and data requirements to reduce



bureaucracy, streamlining the application process and allowing for securitization and private sector capital participation.

Implementing the AB 32 investment plan

AEE recommends more robust language around the appropriate use of cap and trade revenues as outlined in the approved AB 32 investment plan. These revenues should only be used for the purposes of achieving AB 32 program goals. This includes investments in reductions at industrial sites, innovative financing structures to speed technology development and investments in critical infrastructure needed to scale advanced energy technologies in the state. Utilizing these revenues for general fund purposes should be discouraged and ultimately slows progress toward the critical 2050 goal.

We thank you for giving us the opportunity to provide comment on the discussion draft. AEE and our business members believe this is an important effort and will help shape future policy decisions impacting the direction of the AB 32 regulations. We look forward to engaging further. Feel free to contact us at 415-799-3718 with any questions.

Sincerely,



Amisha Rai
Director, State Policy



Steve Chadima
Senior Vice President, Communications and Director of California Initiatives

- cc: Matt Rodriguez, Secretary for Environmental Protection
- Richard Corey, Executive Officer, California Air Resources Board
- David Mallory, California Air Resources Board
- Cliff Rechtschaffen, Senior Advisor, Office of the Governor

