



December 9, 2008

Mary Nichols
Chair
California Air Resources Board
1100 I Street
Sacramento, CA 95814

RE: Comments of the Technology Network (“TechNet”) regarding Climate Change Scoping Plan – October Draft

Dear Chairwoman Nichols:

TechNet is the bipartisan network of chief executive officers and senior executives of the nation’s leading technology companies, committed to promoting the growth of technology and the innovation economy. TechNet's members, most headquartered in California, represent more than one million employees in the fields of clean energy technology, software, hardware, biotechnology, e-commerce and finance.

TechNet supports the Scoping Plan as a vital framework in our work to protect the global environment. Strong leadership on implementing AB 32 will position California as a global leader in emerging technologies, helping us strengthen our economy and create high-paying jobs, while protecting human health and the environment. Strategies to develop clean energy sources, smarten our grid, improve energy efficiency, and strengthen our networks represent an enormous opportunity for our economy and for job creation for Californians.

We appreciate the staff’s improvements to the June draft that addressed issues raised in our initial comments. We believe the following further changes are important to improve the plan:

Energy Efficiency. TechNet supports the principal components of the state’s energy efficiency strategic plan, including decoupling of sales from revenues; aggressive goals; performance-based incentives; and measures to enhance measurement and verification.

California should recognize that the state’s technology industry is an important contributor to the state’s efforts to improve energy efficiency. Information technologies can improve efficiency of data center cooling; improve intelligent sensing and control; build innovation around monitoring and measuring consumption and enable smart grids and smart metering. The technology industry is working hard to increase energy efficiency through improvements in its own chip, information technology and networking products. New chips can reduce energy use by up to 40 percent. Networking, virtualization software and broadband-based communications like Telepresence and Halo are enabling

companies to realize substantial savings in areas as diverse as data center cooling to transportation. The state has included greening IT networks in its energy efficiency programs and we urge aggressive implementation of energy efficiency technologies among its own IT and networking assets.

Notwithstanding the improvements over the June draft, the October draft should still do more to incent highly-efficient or all-electric distributed generation, regardless of energy source, rather than just focusing principally on combined heat and power systems. For example, the discussion of energy efficiency audits for large industrial sources appears to suggest alternatives such as combined heat and power (CHP), but not other distributed all-electric generation technologies, rather than referencing a broader list of potential solutions.

Renewables Portfolio Standard. TechNet supports a renewables portfolio standard of 33 percent. We agree with the Board that a key prerequisite to reaching the 33 percent target will be to provide sufficient electric transmission lines and improve the grid to allow integration of large quantities of intermittent wind and solar generation. But the resolution of these issues should not delay the significant progress that can be made today with distributed renewable energy sources. In particular, California has a legal mandate to achieve 20 percent of its delivered electric energy from renewable sources by 2010; and it is imperative that California not lose sight of this all-important goal. Since many of these resources are scalable, we believe that the integration of distributed resources can be rapidly phased into the existing infrastructure and increased as grid improvements are made. A strategy to achieve a 33 percent RPS standard must provide meaningful opportunities for distributed energy sources, which can be deployed in the near-term, without dependence on transmission improvements, and allow California to deliver on both its 20 percent by 2010 and 33 percent by 2020 mandates.

Mid-sized Renewable Energy Projects. We applaud the revised Scoping Plan for recognizing the need to fill in the “programmatic gap” in support for mid-sized renewable electric generators, particularly those in the 1-20 megawatt range. Encouraging the greater use of renewable energy generation technologies that can effectively utilize available lands, such as vacant lots, brownfield sites, landfills, and parking lots, as well as building space, such as roofs, facades, and windows, is paramount to addressing this programmatic gap. Utilities that encourage generation in this mid-sized range should receive credit toward their RPS requirements, so as to increase the mutually beneficial results of encouraging increased levels of distributed generation and engaging utilities in these efforts. We urge the Board’s support for a feed-in tariff for these technologies, with rates that fully reflect the value of their greenhouse gas (GHG) emissions reductions as well as locational benefits. For example, based on the CPUC-commissioned E3 cost-effectiveness model, the locational benefits value of distribution-interconnected generation in California is 35% or roughly four cents per kWh when applied to the 2008 Market Price Referent (MPR).

Zero Emission Vehicles. The deployment of zero-emission vehicles must be a critical component to meeting the 2020 and particularly the 2050 targets. The

revised draft recognizes California's zero emission vehicle (ZEV) program as an important component to drive deployment of zero-emission vehicles. TechNet supports a significantly strengthened ZEV program and appreciates the Board's commitment to ensure that ZEVs are more fully utilized to help the State meet its 2020 and 2050 targets.

Fee on high Global Warming Potential (GWP) Gases. With respect to perfluorocarbons used in semiconductor manufacturing, the Board is already poised to impose significant regulation, including early action reductions. Further, the Board anticipates further reductions on high GWP gases from imposition of the cap and trade regime. The Board must carefully consider the possibility of leakage and TechNet urges the Board to refrain from imposing a further additional fee on semiconductor manufacturers.

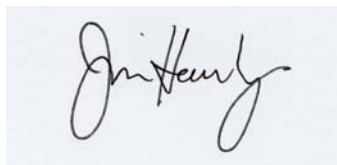
Recognition of Voluntary Actions under Cap and Trade. TechNet urges the Board to include in the Scoping Plan language to ensure that voluntary carbon reductions resulting from the installation of energy efficient or clean energy systems -- like renewable solar energy -- are fully recognized and encouraged under any cap and trade system.

Many organizations, households, and other businesses voluntarily install on-site clean electric generation as part of their commitment to reducing their global warming footprint. Up to now, the opportunity to invest in clean on-site generation and purchase renewable energy credits has proven to be an effective means for engaging citizens and corporations in efforts to reduce their GHG emissions. The problem is that when a fixed cap on emissions is established, voluntary purchases of clean energy will still displace fossil generation, but the number of emissions allowances -- and the level of emissions -- may be unaffected. Any emission reduction claims from these voluntary purchases will become problematic unless some accounting is made for these voluntary actions.

AB 32 implementation should not inadvertently undercut customer motivation to invest in clean energy with their private funds. AB 32 implementation rules should be designed to account for and recognize the clean energy purchases and installations so that individual, business, and non-profit investment in clean power delivers on its promise to reduce actual emissions.

TechNet appreciates the opportunity to comment. If you have questions or we can provide further information, please do not hesitate to contact me.

Best regards,

A handwritten signature in black ink on a light blue rectangular background. The signature is cursive and appears to read "Jim Hawley".

Jim Hawley
Senior Vice President & General Counsel