

Bear Valley
Electric Service
A Division of Golden State Water Company

March 31, 2009

California Air Resources Board
Office of Climate Change
1001 I Street
Sacramento, CA 95814
Via e-mail: ccworkshops@arb.ca.gov

Subject: Bear Valley Electric Service's Comments on the Recognition of Early Action in a Cap-and-Trade System

Bear Valley Electric Service (BVES) appreciates the opportunity to submit comments to the California Air Resources Board (CARB) in response to questions disseminated from the March 10, 2009, public meeting on the "Recognition of Early Action in a Cap-and-Trade System."

The following comments suggest options for CARB to encourage entities to take early action. BVES requests that CARB, when moving forward with other regulations under AB 32, consider both the impacts and benefits to smaller utilities, such as BVES, which do not have the same range of options or depth of resources as the larger utilities.

CARB Question: What options for rewarding voluntary early actions at capped sources should be considered?

BVES recommends that credits be granted and accumulated for use or sale at the end of the cap-and-trade compliance period to offset GHG emissions at a 1:1 ratio, where each credit would be used to offset one metric tonne of CO₂ equivalent greenhouse gases.

As an incentive directly aimed at rewarding voluntary early action, a higher ratio (credit multiplier) could be granted in the earlier periods, before compliance obligations. The multiplier would diminish over time as the compliance term approaches. Incrementally reducing the multiplier encourages entities to take action as soon as feasible while still rewarding entities taking action at a later period. Please see Table 1 and Table 2 (attached), which provide an example of how GHG emissions credits could be awarded and how they could be used to assist future regulatory compliance with GHG emissions limits.

BVES believes that earlier actions and the associated co-benefits would outweigh the net decrease in compliance period GHG reductions. Expected co-benefits include accelerated capital investment in GHG emission reduction projects, increased deployment of technology leading to advanced technological research, and a broader and more cost-effective market for GHG allowances by the end of the GHG compliance period.

CARB Question: Should firms that voluntarily report emissions to the California Climate Action Registry (CCAR) receive credit for actions they took to reduce emissions? If so, what years of registry reporting should be considered?


BVES believes that entities voluntarily reporting emissions to CCAR should be awarded credits for actions taken to reduce their GHG emissions. However, credits should only be awarded for report years in which entities implementing emission reduction projects (actions) implement projects that meet the same criteria as CARB approved project protocols.

In addition to the above, BVES requests that CARB focus on determining whether energy sector emissions would be regulated with a generator-based approach, as a first-jurisdictional deliverer, or some other approach. CARB's determination would provide certainty for compliance requirements under cap-and-trade, which would facilitate GHG early action emission reductions.

Finally, to maintain a robust cap-and-trade market, BVES believes that the credit market should not be strictly limited to capped sources, but that credits be allowed to be traded across all sectors (e.g., water and energy). However, to ensure that capped sources have the opportunity to meet their compliance obligations as economically as possible and to avoid upward price pressure (e.g., price speculation), capped sources should be given first rights to purchase credits.

If you would like to discuss any of the above information further, please contact me directly at (909) 866-1666.

Sincerely,



Tracey L. Drabant
Energy Resource Manager

Attachment

c: Rick Lind, EN2 Resources, Inc.

Example of Voluntary Early Action GHG Emission Reduction Credits
with Credit Multiplier Incentive

Table 1. Distribution of Early Action Credit with Credit Multiplier Incentive

Assumed Early Action Period	(a) Greenhouse gases emitted (tonnes) w/ no action taken	(b) Early actions taken (emissions reduced in tonnes)	(c) Power plant emissions w/early actions implemented a-b	(d) Credit multiplier	(e) Proposed early action credits received d x b
2010	40,500	2,000	38,500	2.0	4,000
2011	40,500	2,500	38,000	1.5	3,750
					7,750

Table 2. Early Action Credits Applied to Cap-and-Trade Allowances

2020 Power Plant Emissions (tonnes) Reported	2020 Permitted Allowances (tonnes)	Allowances Deficit	Early Action Credits Available for Allowances Deficit	Allowances Balance w/ Early Action Credits Surrendered
38,000 ¹	30,375 ²	(7,625)	7,750	+125

¹Emissions are hypothetical and do not account for emission reductions achieved with the implementation of the Scoping Plan measures.

²Assumes a 25% reduction from the 2009 benchmark level (40,500) for a net reduction of 10,125 tonnes of CO₂ equivalent emissions.