Sempra Energy®

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Mr. Kevin Kennedy
Office of Climate Change
Air Resources Board
1001 I Street
Sacramento, CA 95812

RE: Sempra Energy Comments Regarding Cap Setting in the California Cap-and-Trade Program, April 28 2009 Workshop

Dear Mr. Kennedy:

Sempra Energy submits these comments in response to staff's request to consider compliance pathway analysis, methodologies and approaches to projecting emissions levels, and to examine the proposed Western Climate Initiative (WCI) cap setting methodology.

Compliance Pathways

The workshop presentation recognizes that there are unresolved issues setting compliance obligations for both "broad" and "narrow" scope resources. Sempra Energy iterates past comments that, within the "broad scope" sectors, local distribution companies ("LDCs") are not in a position to exert control over the emissions of their residential and small commercial customers, but have proven a significant ability to reduce consumption and related emissions through programmatic measures since the late 1970s. Southern California Gas and San Diego Gas &Electric early actions concerning voluntary energy efficiency programs have decreased annual per capita emissions of greenhouse gas associated with the use of natural gas (weather-adjusted). This history establishes that consistent application of such programs have achieved emission goals cost-effectively without a residential cap-and-trade administered upstream at the LDC. Sempra Energy recommends the ARB include a compliance pathway which recognizes these activities and early actions[1].

As ARB points out in its presentation, there are challenges to the electric generation sector during the "narrow scope" period. Because AB 32 requires the compliance obligation "account for greenhouse gas emissions from all electricity consumed in the state" including imported electricity, ARB should work with other state agencies to establish a method to track emissions of both specified and unspecified resources (about one-half of the emissions associated with electricity generation are attributed to the one-third of the state's electrical supply that is imported from out of state). While this creates accounting problems related to integration into a broader program, such as WCI, Sempra cannot see how the cap cannot include these sources.

The compliance obligation of all sectors must be based on the relative contribution of emission sources determined in a fair and equitable manner. All emissions, in any sector, regardless of source, should be treated the same and no sector or source should escape a proportionate obligation to reduce emissions. Specifically, in

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[1] Sempra continues to recommend that GHG regulation of the natural gas sector be based on programmatic measures that have already proven to be successful rather than through the imposition of cap and trade responsibilities on an entity that has no control over these emissions

setting the cap for 2012 to 2014, the cap should be based on a straight-line reduction between 2012 and the electric and industrial sector proportional contribution in the 2020 target.

WCI Cap Setting Methodology

WCI has recommended a straight-line trajectory for covered sectors from the year of initial coverage derived from a cap of a "best estimate" of expected actual emissions for those sources covered in the initial year of the program. As ARB stated in the presentation, there are two approaches – a top-down and a bottom-up approach. The WCI states that the best data is the available mandatory reporting data for all members of WCI. Further, the cap should include an accounting for expected changes in emissions by 2012. As recommended by WCI, population growth, economic growth, voluntary and mandatory emission reductions, and other factors would be considered. WCI also adjusts for Early Actions as an additional consideration. It is unclear whether the proposed WCI adjustments to the 2010 data will give adequate considerations to early actions. The WCI methodology seems adequate if early actions are adequately addressed.

Thank you for the opportunity to comment.

Yours sincerely,

c: Ms. Lucille Van Ommering
Mr. Sam Wood