American Clean Energy and Security Act of 2009 (HR 2454) & California Global Warming Solutions Act of 2006 (AB 32)

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| | | | **PROGRAMS** | | | |
| **1** | **Renewable Electricity Standard**<br><br>*HR 2454, Title I, Section 101*<br><br>*Scoping Plan, Recommended Actions, page 44* | 20% of base[1] amount of electricity sold to customers by 2020 with up to 25% achievable via energy efficiency (or Governor can petition FERC for up to 40%). Includes:<br>• wind<br>• solar<br>• geothermal<br>• renewable biomass<br>• biogas and biofuels from renewable biomass, marine and hydrokinetic sources<br>• landfill gas and wastewater gas<br>• coal mine methane<br>• qualified hydro (new or incremental from 1988, marine, hydrokinetic)<br>• small distributed generation (≤ 2MW)<br><br>[1]Base is determined by excluding a portion of load served by:<br>• hydropower other than qualified hydropower<br>• new nuclear or additions at existing nuclear<br>• carbon capture and sequestration | 33% renewable energy mix statewide by 2020 | Mandatory IOU Renewable Portfolio Standard: 20% by 2010.<br><br>Voluntary POU standard: 20% by 2010.<br><br>Stated policy goal and proposed legislation for 33% RPS by 2020.<br><br>33% RPS legislative proposals differ in potential applicability to POUs.<br><br>In 2008, IOUs delivered 13%. | California electricity providers would have to comply with both the federal RES and the California RPS. | [PGE] Different state and federal accounting rules may complicate compliance and reporting requirements.<br><br>[PGE] Non-uniform definitions of state and federal Renewable Energy Credits may complicate compliance. |
| **2** | **Lighting and Appliance Efficiency**<br><br>*HR 2454, Title II, Sections 211-214,* | Expanded appliance efficiency standards criteria that include GHG emissions.<br><br>Specified improvements to DOE appliance standard program. | Scoping Plan sets a target for statewide annual energy demand reductions.<br><br>Scoping Plan calls for:<br>• more stringent appliance | Utility customer energy efficiency (CEE) programs provide incentives to encourage energy efficient appliance purchases.<br><br>Utility CEE codes and standards | More stringent HR 2454 appliance standards could increase EE savings for the State, for measures where federal standards currently preempt the State from advancing its own standards. | [E2] Independent of HR 2454, DOE (with assistance of ACEEE) plans to pursue more stringent regulation on many appliances. |

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| | *274*<br><br>*Scoping Plan, Recommended Actions, page 41- 42* | DOE consumer incentive program to encourage efficient appliance purchases.<br><br>National carbon labeling program for appliances.<br><br>New standards for outdoor lighting, portable lighting fixtures and reflector lamps.<br><br>New standards for other specified appliances.<br><br>Best-In-Class Appliances Deployment Program (BICAD) gives bonus payments, bounties and awards to retailers and distributors for BIC energy efficient appliance, building equipment and electronic sales and for inefficient product replacement, and to manufacturers of Superefficient BIC products. | efficiency standards<br>• broader standards for new types of appliances<br>• improved compliance and enforcement of existing standards | program provides technical support for new appliance standards in California.<br><br>For federally covered appliances, California is required to use U.S. EE labeling programs, implemented by the Federal Trade Commission. This program pre-empts state labeling programs. | California Title 20 appliance standards are same as federal standards, except where:<br>1) No federal standard exists, in which case California can develop a state standard; and<br>2) Where California has a specific exemption from federal preemption, allowing the State to implement a more aggressive standard.<br><br>HR 2454 exempts California from federal preemption on several new appliances, allowing California to pursue more stringent standards for these appliances.<br><br>The Federal outdoor lighting standards in HR 2454 become effective 1/1/2016 and 1/1/2018, although dates are subject to change. Per HR 2454, California is exempted from preemption if it establishes a state outdoor lighting standard by 1/1/2015.<br><br>BICAD program covers products not currently regulated, such as computers. | |
| **3** | **Building Energy Efficiency**<br><br>*HR 2454, Title II, Section 201-204* | National building codes that States administer:<br>• 30% higher efficiency by 2010<br>• 50% higher efficiency by 2016 | Scoping Plan recommends more stringent building codes.<br><br>"Zero Net Energy" buildings | California's 2007 Building Standards Codes, or "Title 24", went into effect January 2008, and the 2008 Building Energy Efficiency Standards went into | California would be compliant with national residential building standards in the first year, but would not be compliant with national commercial building | |

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| | *Scoping Plan, Recommended Actions, page 42* | Cool roofs standards.<br><br>Building retrofit program (REEP) that ties allowance value to local adoption and enforcement of national codes.<br><br>Building energy performance labeling program.<br><br>HUD grant program for local enforcement agencies. | Financing to overcome first-cost and split incentives for energy efficiency, on-site, renewables, and high efficiency distributed generation. | effect January 2009.<br><br>California has cool roofs standards.<br><br>California programs retrofit measures or sub-systems within a building, but California does not have a program to retrofit entire buildings.<br><br>Residential buildings can voluntarily rate a home's energy efficiency, but California does not have a building labeling program.<br><br>Local building offices enforce building code compliance. | standards until the second year.<br><br>HR2454 provides funding for building labeling and code enforcement, however, the State's responsibility is that it must achieve 90% compliance with the code or show progress towards compliance by hiring inspectors, creating manuals providing training etc. Otherwise the state can lose funding for compliance improvement and carbon credits.<br><br>Funding available, through REEP, for building retrofits in California. | |
| **4** | **Carbon Capture & Storage (CCS)**<br><br>*HR 2454, Title I, Section 114-115*<br><br>*Scoping Plan, A Vision for the Future, page 117* | RDD&D program to fund CCS advancement. Funds collected from Electric Distribution Utilities based on electricity deliveries, and granted for CCS development projects for coal and other fossil fuels.<br><br>Funding (allowance value) to support commercial deployment of CCS. Fund subsidizes projects that capture more than 80% of the CO2 otherwise emitted. Plants would receive between $50 and $90 per tonne of CO2 sequestered, with higher amounts awarded to plants that are online earlier and that achieve higher sequestration rates. | The West Coast Regional Carbon Sequestration Partnership, a public-private collaboration, is assessing technologies and determining potential for storing captured CO2 in geologic formations. | SCE has demonstration project which received a $308 million grant from DOE through the American Reinvestment and Recovery Act, not HR 2454. | Additional funding available to California for CCS RDD&D.<br><br>California utilities, along with all U.S. utilities, will collect a fee from distribution customers to fund the CCS RDD&D program. | |

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| **5** | **Transmission**<br><br>*HR 2454, Title I, Sections 151* | Incorporates regional planning activities within FERC planning processes under Order No. 890.<br><br>Establishes federal siting authority for Western interconnection projects if state authority does not act within one year or impedes a multistate project identified as needed in significant measure by one or more regional planning initiative(s). | N/A | The California Renewable Energy Transmission Initiative (RETI) is chartered to develop detailed transmission service plans with the objective of initiating the permitting process for high priority, near-term transmission projects.<br><br>RETI has delivered:<br>• A statewide renewable resource assessment of economic and environmental attributes of competitive renewable energy zones within California with some consideration of out-of-state resources.<br>• A draft conceptual transmission plan to identify additional transmission capacity to access and deliver renewable energy to meet California state renewable goals in 2020.<br><br>RETI results are being considered in the following processes:<br>• The CAISO will use RETI to inform study priorities in its 2010 Transmission Plan, conducted under FERC Order No. 890.<br>• The CPUC is considering how to use RETI results in an ongoing CPUC rulemaking to determine whether a Certificate of Public Convenience and Necessity and backstop siting authority should be granted based upon RETI | HR 2454 would allow for federal siting authority for multistate transmission projects included in the final regional electric plans within the Western Interconnection, such as RETI and WREZ. | [PGE] It is unclear how the California RETI process will integrate with the regional work undertaken by the Western Governors' Association's (WGA's) Western Renewable Energy Zones (WREZ). WREZ was chartered to develop transmission plans of service for the Western Interconnection to access priority renewable resource zones. |

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| | | | | results. | | |
| 6 | **Smart Grid**<br><br>*HR 2454, Title I, Sections 144-145* | DOE and EPA will assess benefits of including Smart Grid technology in EnergyStar products.<br><br>Smart Grid information will be included in appliance energy labels and energy efficiency public information.<br><br>LSEs shall set Smart Grid peak demand reduction goals, achievable through energy efficiency or demand response programs or through contracts. | N/A | The CPUC is currently considering its policies for the Smart Grid. | Appliances that enable peak shaving would reduce electricity demand. | |
| 7 | **Transportation GHG Standards & Smartway Program**<br><br>*HR 2454, Title II, Sections 221, 223, 333* | Requires that EPA use existing Clean Air Act authority to set GHG standards (including hydrofluorocarbons) for<br>• heavy duty vehicles<br>• marine vessels<br>• locomotives<br>• aircraft<br><br>Requires EPA to determine if additional black carbon regulation is needed, and to regulate using existing Clean Air Act authority, if necessary.<br><br>Provides authority for goods movement incentives, but no funding. | CARB is regulating certain aspects (excluding engine technology) of heavy duty vehicle $CO_2$ emissions, through Pavley standards. CARB is also relying on a 3.5 mmpty reduction from goods movement, explicitly including federal heavy duty vehicle GHG standards.<br><br>California is regulating black carbon/diesel particulate emissions. | | HR 2454 standards are lower than California's. HR 2454 does not pre-empt California standards.<br><br>HR 2454, by confirming EPA's authority to regulate GHG from new trucks, vessels and locomotives, will facilitate meeting the State's 3.5 mmtpy goods movement goal.<br><br>California will still need to address other categories, such as retrofitting existing vehicles/vessels, encouraging efficient modes of transport, and ports, airports and other transportation hubs.<br><br>California will need to continue efforts to reduce black carbon. | [ICCT] A lack of allowance allocation or other funding that would assist with AB32 measure implementation, such as goods movement incentives and medium and heavy duty hybrids.<br><br>[ICCT] A lack of clear mandates to regulate black carbon (without preempting California), which would establish a more level national playing field. |

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| | | | | | Additional funding available to California for good movement, if EPA provides incentives, as authorized. | |
| **8** | **Electric Drive Transportation**<br><br>*HR 2454, Title I, Sections 121-122*<br><br>*California Assembly Bill 118, October 14, 2007* | Utilities required to develop infrastructure plans to support electric vehicles.<br><br>DOE grant program to deploy and integrate electric vehicles. | Zero Emissions Vehicle Program<br><br>Air Quality Improvement Program - $50 million per year to fund clean vehicle/equipment projects and research on the air quality impacts of alternative fuels and advanced technology vehicles. | | California's emission rates, which are below national averages, will decrease with additional renewable energy. | |
| **9** | **Fuel Emissions**<br><br>*HR 2454, Title I, Sections 128 & 552* | Existing diesel emission program appropriations ($200 M annually) extended from 2011 to 2016.<br><br>Prohibits EPA from considering the indirect land-use emissions associated with biofuels, for five years.<br><br>[DRAFT: Exempts existing biomass facilities from lifecycle analysis required in Clean Air Act.] | The Low Carbon Fuel Standard (LCFS) requires a reduction in the greenhouse gas intensity of California fuel by at least 10% by 2020.<br><br>The LCFS allows biofuels with higher emissions due to indirect land use emissions, but requires compensating reductions. | | | |
| **10** | **Transportation Sector GHG Reduction Plans**<br><br>*HR 2454, Title I, Section 222*<br><br>*Scoping Plan, Recommended Actions, page 47* | Requires regional transportation GHG reduction plans. | SB 375 requires ARB to develop, in consultation with metropolitan planning organizations, passenger vehicle greenhouse gas emissions reduction targets for 2020 and 2035, by September 30, 2010. | SB 375 Advisory Committee | | |

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| **11** | **Clean Technology Business Competition Grant Program**<br><br>*HR 2454, Title I, Section 196* | Authorizes $20 million in DOE grants. | N/A | | | |
| **12** | **Industrial Energy Efficiency Programs**<br><br>*HR 2454, Title II, Sections 241 – 245*<br><br>*Scoping Plan, Recommended Actions, page 54* | DOE to develop industrial plant EE standards.<br><br>DOE rebates for efficient motors.<br><br>EPA loans programs for renewable energy and energy efficiency for small and medium sized manufacturers. | Energy efficiency and co-benefits audits for large industrial sources. | | | |
| **13** | **Performance Standards**<br><br>*HR 2454, Title VIII, Section 331* | EPA to develop performance standards for stationary sources that individually had uncapped GHG emissions greater than 10,000 tons of carbon dioxide equivalent, and that, in the aggregate, were responsible for emitting at least 20% of the uncapped GHG emissions. | N/A | | | |
| **14** | **Hydrofluorocarbon (HFC) Regulation**<br><br>*HR 2454, Title VIII, Section 332*<br><br>*Scoping Plan, Recommended Actions, page 29* | Under Clean Air Act Authority EPA must phase down production and use of HFCs.<br><br>Establishes closed cap and trade program, increasing auctioning over time.<br><br>HFC use must decline to 67% of baseline established by 2020, to 25% by 2030 and to 15% after | Discrete Early Actions to reduce HFC from:<br>• do-it-yourself motor vehicle servicing<br>• consumer products, including pressurized containers that utilize HFC propellants<br>• motor vehicle air conditioning systems<br>• refrigerants used in shipping containers | | | |

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| | | 2032. | • foam<br>• fire suppressant systems | | | |
| | | | **MARKET** | | | |
| **15** | **Targets and Timetables**<br><br>*HR 2454, Title III, Section 311*<br><br>*AB32, §38550 ARB Scoping Plan, Appendix C, pages C-16-17* | Economy-wide emission reduction goals of:<br>• 3% below 2005 levels in 2012<br>• 17% below 2005 levels in 2020<br>• 42% below 2005 levels in 2030<br>• 83% below 2005 levels in 2050 | State goal of 1990 emissions levels by 2020.<br><br>ARB will establish a 2020 cap by 1/1/2011. A preliminary estimate is 365 MMTCO2E.<br><br>The trajectory will be established as a straight-line reduction between 2012 and 2020, with an adjustment in 2015 to account for the sectors added. | According to the Scoping Plan, "reducing greenhouse gas emissions to 1990 levels means cutting approximately 30 percent from business-as-usual emission levels projected for 2020, or about 15 percent from today's levels". | The State emissions target, mandated in AB32, is not superseded by current proposed federal legislation. | |
| **16** | **Offsets**<br><br>*HR 2454, Title II, Sections 731-743, and Title V, Sections 501-511*<br><br>*ARB Scoping Plan, Appendix C, pages C-21-23)* | An entity can meet 30% of its 2012 compliance obligation, increasing to 60% in 2050, using offsets.<br><br>The quantity of offsets allowed into the market in a given year cannot exceed 2 billion tons (1 billion domestic and 1 billion international, or up to 1.5 billion international, with a commensurate decrease in domestic offsets, when domestic offsets are unavailable). After 2018, 1.25 international offsets would be surrendered for 1 ton of emissions. President can recommend that Congress increase or decrease the limit.<br><br>EPA must approve protocols, except in the case of domestic | Limited to no more than 49% of the required reduction of emissions from the capped sectors. (E.g. if the 2012 cap for the capped sectors is 420 MMT, the 2020 limit on offsets is ~27 MMT (49% of the difference of 420 MMT and 365 MMT, the 2020 goal for the capped sectors).<br><br>No geographic limits.<br><br>Board must approve all protocols. | Offsets are traded on a voluntary basis. | For 2012-2017, HR 2454 prohibits a State from implementing or enforcing a "cap and trade" program. | [PGE] AB 32 offset quantity limit is substantially lower than the HR 2454 quantity limit. |

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| | | agriculture and forestry offset programs, for which USDA has jurisdiction.<br><br>Early Action Offset Credits: 1% of 2012 vintage allowances for GHG avoided or sequestered between 1/101 and 1/1/09. | | | | |
| 17 | **Banking & Borrowing**<br><br>*HR 2454, Title IV, Part D, Section 725* | Unlimited banking.<br><br>Unlimited borrowing from one year into future (effectively 2-year rolling compliance period).<br><br>Borrowing up to 15% of compliance obligation with allowance vintage years 2-5 beyond calendar year, at 8% annual interest (paid in allowances). | Unlimited banking.<br><br>Three-year compliance period. | N/A | For 2012-2017, HR 2454 prohibits a State from implementing or enforcing a "cap and trade" program. | |
| 18 | **Strategic Reserve**<br><br>*HR 2454, Title IV, Part D, Section 726* | EPA can authorize an auction of allowances from a "strategic reserve" when allowance prices exceeds a 36-month rolling average price by 60%.<br><br>One to 3% of allowances would be added to the strategic reserve each year until 2050.<br><br>EPA would use auction proceeds to purchase offsets to replenish the strategic reserve.<br><br>An individual entity can meet no more than 20% of its compliance | N/A | N/A | For 2012-2017, HR 2454 prohibits a State from implementing or enforcing a "cap and trade" program. | |

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| | | obligation using strategic reserve allowances. | | | | |
| **19** | **Cap and Trade Moratorium**<br><br>*HR 2454, Title VIII, Section 334*<br><br>*ARB Scoping Plan, page 31* | Prohibits a State from implementing or enforcing a “cap and trade” program during 2012 - 2017. | ARB will “ensure that California is primed to take advantage of opportunities for linking with other programs, including future federal and international efforts” and “to demonstrate leadership in preparation for future federal and international climate action.” | California’s cap and trade program is planned to commence on January 1, 2012.<br><br>CARB is in the midst of a cap and trade rulemaking to develop implementation details. | The Scoping Plan assumes that a portion of the state’s reduction target would be met through a cap and trade program. | |
| | | | | **ALLOCATION** | | |
| **20** | **Allowance Allocation**<br><br>*HR 2454, Title III, Section 781-784*<br><br>*[Cite CA Reference]* | Electric LDCs (2012-2029): 43.75% declining to 7%<br>• Allocation based 50% on sales and 50% on historic emissions.<br>• Allowance value for benefit of retail ratepayers.<br>• Any electric LDC cannot receive more allowances than is necessary to offset increased electricity costs due to ACES.<br><br>Natural Gas LDCs (2016-2029): 9% declining to 1.8%<br>• One third of allowance value must be spent on “cost effective” energy efficiency.<br><br>Small LDCs <4000 GWh (2012-2030): 0.5% declining to 0<br><br>Merchant Coal Generators (2012-2029): 5%, with ~1.5% for long term contracts | | Allowance allocation will be determined through an ARB rulemaking process, by January 1, 2011.<br><br>The Economic and Allowance Allocation Committee to make recommendations on allowance allocation. | For 2012-2017, HR 2454 prohibits a State from implementing or enforcing a “cap and trade” program. | [ICCT] Formulas weighted based on electrical and natural gas consumption instead of overall energy consumption disadvantages California with respect to allocations.<br><br>[ICCT] Distributions that subsidize fossil fuel energy costs could undercut energy efficiency and renewable energy goals.<br><br>[ICCT] Allocation methodology precludes California from using allowances for incentives such as AB32 good movement incentives and measures to achieve vehicle miles travelled (VMT) goals, such as Pay-As-You-Drive pilot projects, Smart Growth planning and bicycle and pedestrian improvement projects. |

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| | | Cogeneration Facilities (2012-2025): ~0.1%<br><br>Home Heating Oil (2012-2029): 1.857% declining to 0.3%<br><br>Low-and-moderate Incomes Families: 15%<br><br>Energy-intensive, Trade-exposed Industries (2014-2050): 15% declining to 0 unless President intercedes<br><br>Oil Refiners (2014-2025): 2%<br><br>States for clean energy and energy efficiency (2012-2050): 9.5% declining to 4.5%<br>[Replaces transportation sector investments, up to 1%, for mass transit capital projects.]<br><br>Electric Utilities for carbon capture and sequestration (2014-2029): 1.75% increasing to 5%<br><br>Small LDCs for energy efficiency (2012-2029): 0.5% declining to 0.1%<br><br>Electric Vehicles and Advanced Automobile Technology: 1% increasing to 3%<br><br>Clean Energy and Energy | | | | |

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| | | Efficiency R&D (2012-2050): 1.5%<br><br>Domestic Adaptation (2012-2050): 2% increasing to 8%<br><br>International Adaptation (2012-2050): 1% increasing to 4%<br><br>Investment in workers (2012-2050): 0.5% increasing to 1%<br><br>International Clean Technology Deployment: 1% increasing to 4%<br><br>Budget Neutrality: Unallocated allowances | | | | |
| **21** | **Auction**<br><br>*HR 2454, Title III, Section 791*<br><br>*ARB Scoping Plan, Section E, pages 34, 69-71, Appendix C, pages C-19-20* | • 15% of allowances auctioned<br>• single-round, sealed-bid, uniform price format<br>• quarterly auction<br>• 5% limit per entity per auction<br>• $10 minimum reserve price, increased at 5% plus inflation per year | ARB intends to follow WCI parameters:<br>• at least 10% of allowances auctioned in first compliance period, increased to 25% by 2020<br>• reserve price for the first 5% of the auctioned allowances<br><br>ARB considers a transition to 100% auction to be a "worthwhile goal", consistent with the CPUC/CEC Joint Proceeding on AB 32 Implementation. | Economic and Allowance Allocation Committee to make recommendations on auctions. | For 2012-2017, HR 2454 prohibits a State from implementing or enforcing a "cap and trade" program. | |
| **22** | **Distribution of Allowance Revenue**<br><br>*HR 2454, Title I, Section131* | Energy Refund Program to reimburse low income households with monthly cash payments.<br><br>The Strategic Reserve Fund | Potential uses for auction revenue, include:<br>• energy efficiency and renewable resource development<br>• environmental co-benefits<br>• incentives to local governments | Economic and Allowance Allocation Committee to make recommendations on use of allowance revenue. | For 2012-2017, HR 2454 prohibits a State from implementing or enforcing a "cap and trade" program. | |

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| | *426, 480, 782(d), 791*<br><br>*ARB Scoping Plan, Section E, p. 70-71* | Natural Resources Climate Adaptation Fund<br><br>Climate Change Worker Adjustment Assistance Fund<br><br>International Clean Technology Fund<br><br>The Climate Change Consumer Refund Account (after 2026) to provide tax refunds on a per capita basis | • consumer rebates<br>• direct refund to consumers<br>• climate change adaptation program<br>• subsidies to reduce cost-impacts to covered industries<br>• green technology RD&D<br>• worker transition assistance;<br>• state administrative costs | | | |
| **23** | **Exchange for State or Regional Issued Allowances**<br><br>*HR 2454, Title III, Section 790*<br><br>*ARB Scoping Plan, p. 34* | Entities could exchange California, RGGI or WCI allowances for federal allowances, based on annual auction prices. | ARB committed to work to ensure that California allowances have value in a regional or federal program. | | If HR 2454 begins, as planned, in 2012, there would be no effect on California entities. For 2012-2017, HR 2454 prohibits a State from implementing or enforcing a “cap and trade” program. | |

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