

October 19, 2011

Clerk of the Board
California Air Resources Board
1001 I Street
Sacramento, CA 95812

RE: Support for Adoption of Proposed Regulation: CALIFORNIA CAP ON GREENHOUSE GAS EMISSIONS AND MARKET-BASED COMPLIANCE MECHANISMS

Dear Chairman Nichols:

The California Energy Efficiency Industry Council (Efficiency Council) supports the adoption of the California Air Resources Board's proposed cap-and-trade regulations for the purpose of putting a price on greenhouse gas (GHG) emissions.

The Efficiency Council is a statewide trade association of more than 50 non-utility companies that provide efficiency products and services in California. Our member businesses include energy service companies, engineering and architecture firms, contractors, implementation and evaluation experts, financing experts, workforce training entities, and manufacturers of energy efficiency products and equipment. The Efficiency Council's mission is to support appropriate energy efficiency policies, programs, and technologies that create sustainable jobs and foster long-term economic growth, stable and reasonably priced energy infrastructures, and environmental improvement.

For decades, California has been at the forefront of creating effective environmental and clean energy policies. As a result, these policies are stimulating innovation and efficiency, positioning the state as a leader in this thriving global marketplace, and creating new businesses and jobs. We see the proposed regulation as another positive step in California's leadership, by demonstrating how to develop an energy infrastructure in a carbon-constrained world. We believe the regulation will also support a stable energy and business environment that will result in our member companies in the efficiency industry being able to grow and employ more Californians.

However, we offer the following suggestions relating to the implementation and enforcement of the cap-and-trade regulations:

1. The Air Resources Board and/or the California Public Utilities Commission (CPUC)¹ must establish strong oversight to ensure that funds generated as a result of the regulation are only spent on any appropriate consumer rate relief and GHG emissions-reducing measures such as energy efficiency and the use of renewable energy. Given the free allowance allocation provisions, it is of particular concern that there is investment in mitigation versus windfalls for any participants.

¹ The Efficiency Council is a party participating in the CPUC's current ongoing proceeding, R.11-03-012, addressing the use of the investor-owned utilities' GHG emissions allowances auction revenues.

2. An excellent mitigation solution is end-use energy efficiency. A good way to meet the state's goal of maximizing cost-effective efficiency may be to utilize a fund – such as the Air Pollution Control Fund, defined in section 95870(b)(2) to collect allowance auction revenues – to support efficiency programs, similar to what is done in the Regional Greenhouse Gas Initiative. Thus, the Board could clarify that “Auction proceeds and allowance value obtained by an electrical distribution utility shall be used exclusively for the benefit of retail ratepayers of each electrical distribution utility...” (section 95892(d)(3)) includes investments associated with end-use energy efficiency.
3. While end-use efficiency represents an excellent mitigation opportunity, and a cost-effective means for meeting an emissions cap, caution should be used to assess any offset or set-aside mechanisms associated with efficient use of energy from capped sources of electricity, natural gas and fuel oils to ensure that it does not allow for double-counting of reductions (for example, eliminating double counting potential by requiring retirement of such offsets). Even if such an offset strategy might benefit some efficiency businesses, threats to the integrity of the cap and trade system is in reality not to the benefit of our State and its citizens.
4. All participants must realize that a cap and trade system does not replace our State's other greenhouse gas mitigation policies and thus we need to stay the course and even expand implementation activities related to energy efficiency and other clean energy policy initiatives. This particularly includes the public benefits charge funding for energy efficiency programs.

The Efficiency Council's member companies alone employ over 4,000 people in energy efficiency. Consistent with trends experienced in the overall energy efficiency industry across the country, our member companies have experienced employment growth of nearly 30% in 2009 and another 20% in 2010. While employing Californians, these companies help residents and businesses save energy in every corner of the state. Our member companies will continue to hire more individuals in California in the years to come, assuming continued strong policy support for energy efficiency, clean energy and environmental stewardship.

Furthermore, for one of this letter's signers (Steve Schiller), speaking as an appointed “regulator” in the world's largest GHG market mechanism program, the Kyoto Protocol's Clean Development Mechanism (CDM), my personal perspective is that despite the best planning efforts, issues will arise with the implementation of the regulation. However, the overall goals of and value to California's citizens that will result from the overall cap-and-trade program will outweigh those bumps in the road. My return just this past Sunday from a meeting of my CDM Board Working Group meeting in Africa, where one can see first-hand the challenges of climate change, emphasized the importance for California to show that Americans can and will provide leadership in, and with the rest of the world, reap the benefits of climate change mitigation.

Thank you for your time and consideration.

Sincerely,



Steven R. Schiller, P.E.
Chairman of the Board



Audrey Chang
Executive Director