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March 8, 2013

Chairman Mary Nichols
California Air Resources Board
1001 "I" Street
Sacramento, CA 95814

SUBJECT: Comments on the Development of the Cap-and-Trade Auction
Proceeds Investment Plan

Madam Chairman,

Thank you, and the other individuals who completing the Investment Plan, for your dedication to implementing AB32. And thank you for soliciting public comment and for listening to our input in Fresno, Sacramento, and Los Angeles these past few weeks on the development of the Cap-and-Trade Auction Proceeds Investment Plan. Having conducted a number of public workshops while serving at the California Energy Commission, I appreciate the patience and sincere interest those at the dais exhibited.

Enclosed are the written comments from the Cleantech Open, a non-profit organization whose mission is to find, fund and foster entrepreneurs with big ideas that address today's most urgent energy, environmental and economic challenges. The Cleantech Open is helping to develop young entrepreneurs and create some of the new technologies that California, and the world, will need to effectively reduce greenhouse gases.

Sincerely,

Jeff Byron
*Vice Chairman, National Board
of the Cleantech Open*

3/7/2013

Cleantech Open

cc Governor Brown
California Air Resource Board Members
Ana Mantosantos, Finance Director
Matt Rodriquez, Secretary of California Environmental Protection Agency
Assembly Member John Perez, Speaker of the California State Assembly
Senator Fran Pavely, California State Senate
Commissioner Andrew McAllister, California Energy Commission
Cliff Rechtschaffen, Special Advisor to Governor Brown
Daniel Yost, Orrick, Herrington & Sutcliffe
Jim Boyd and Linda Adams, Clean Tech Advocates

Public Comment

On Development of the Cap-and-Trade Auction Proceeds Investment Plan

To Air Resources Board and Department of Finance

On behalf of the Cleantech Open

Recommendation:

A portion of the revenues generated by the AB32 cap-and-trade auction program should be invested in a series of Green Prize competitions to develop new clean technologies that will stimulate innovation, reduce greenhouse gases, and create new jobs.

Background

The Legislature, with AB 32, directed the ARB to develop and implement an innovative cap-and-trade program for reducing GHG. The Department of Finance, in consultation with the Air Resources Board and other state entities, will now develop and submit to the Legislature a three-year investment plan for the auction proceeds. The investment plan will identify the State's GHG emission reduction goals and priority programs for investment of proceeds to support achievement of those goals.

Comments

It is extremely important that California continue to provide leadership with an effective GHG reduction program and demonstrate an effective investment of the proceeds. A balanced portfolio of investments should be made that includes:

- Transportation and energy infrastructure
- Sustainable agriculture practices, including the development of bio-energy
- Forest management and urban forestry
- Diversion of organic waste to bio-energy
- Energy efficiency programs

- Natural resource protection
- Reduction of air pollutants
- Financial incentives for clean and efficient technologies
- Research and development for GHG reducing technologies

And, as required by law, a portion of these funds should be used to benefit disadvantaged communities.

The state should also invest in highly leveraged programs that will develop new technologies and create jobs in California while reducing GHG. In addition to the investments listed above, an effective way to do this is with the creation of an annual Green Prize or series of prizes to stimulate innovation.

The state could administer this program, although we believe that a competitive solicitation would be a preferred alternative. Selection of a widely recognized organization with existing capabilities and a proven track record would be cost effective in leveraging other funds. One such organization is the Cleantech Open.

The Cleantech Open is a non-profit organization that began in Silicon Valley six years ago. The Cleantech Open enlists more than 1,000 volunteers who have assisted more than 700 new companies that have gone on to attract more than \$750M in outside funding.

Other Prizes have been very effective in creating technology breakthroughs, such as the Orteig Prize in aviation and the Ansari X Prize in space flight. A series of California Green Prizes would encourage and accelerate innovation of technologies that meet predefined criteria and would lead to products that not only reduce GHG in California but throughout the world, once again demonstrating California's environmental leadership.

In all likelihood there are few investments that the state can make from the cap-and-trade proceeds that will provide significant GHG reduction during the next six years in meeting the 2020 goal. Also, measuring the GHG-reducing benefits of those investments will be difficult and open to discussion. Instead, the "cap" portion of the cap-and-trade program in California will effectively reduce GHG to 1990 levels by 2020.

During the early years, industry will initially be focused on trading credits. When those become scarce and more expensive, industry will turn its attention to more substantial GHG-reducing actions and modify behavior and processes. Industry will then need new technologies to reduce GHG in more substantial ways. The private sector is likely not going to make the necessary R&D investments without an incentive. By investing in Green Prizes, California will

be providing that incentive and the technologies that GHG-producing industries will need in order to comply with the cap.

Other individuals and organizations have endorsed the concept of Green Prizes with a variety of different formulations that have the same underlying principle; with the proper incentives California's enormous economic opportunity potential and deep innovative roots will provide a model for the rest of the nation in the adoption and implementation of cap-and-trade and GHG-reducing technologies to accomplish it.