

March 8, 2013

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

RE: Comments on the Cap and Trade Investment Plan- Draft Concept Paper

Advanced Energy Economy (AEE) is a national association of business leaders focused on making the global energy system more secure, clean and affordable. Our mission is to foster advanced energy innovation and business growth, and to provide a unified voice for a strong U.S. advanced energy industry across a wide range of technologies from energy efficiency, renewable energy, natural gas, small-head hydro, electric vehicles, biofuels, smart grids, and many more. Member companies are involved in technology development, project and infrastructure development, engineering, component and product manufacturing, equipment installation, finance and advisory services.

California has a tremendous opportunity to lead the nation by developing an investment plan that achieves greenhouse gas emission reductions, boosts the use and development of advanced energy technologies in the state and stimulates economic growth in local communities. We believe a thoughtful investment plan that is based on the fundamentals needed to achieve the state's energy goals will serve as a model for other states and nations. We offer the following comments and feedback on the draft concept paper released on February 15, 2013.

Revenues should be dedicated to investments that help achieve greenhouse gas reductions. As with any new funding stream, state leaders must be disciplined in how auction revenues are distributed and invested. This investment plan will help set the stage for future years and will send a signal to the private sector. Investment dollars should be spent wisely with an eye on how to achieve near-term reductions and meet the 2050 goals stated in AB 32.

Focus on energy efficiency and advanced energy generation at industrial and manufacturing facilities. California's AB 32 regulations will likely impact business decisions related to the expansion of industrial and manufacturing operations in the state. It is in our economic interest to keep these jobs and manufacturers in California. By dedicating a portion of the revenue to advanced energy generation and energy efficiency measures at industrial sites, the state will limit its exposure to both business and emissions leakage and encourage the state's industry leaders to reduce their emissions on-site. Partnering with advanced energy companies on pilot projects throughout the state at industrial and manufacturing operations is an enormous opportunity to reduce emissions and air pollutants quickly, reduce economic costs and benefit local communities.

Investment in low carbon fuels and infrastructure is critical. Transportation is the single largest contributor to the state's greenhouse gas emissions. Addressing this sector's emission output is essential in order to meet the state's long-term climate goals. AEE believes investment in advanced biofuel production and vehicle infrastructure should be a particular area of focus within the transportation category. The state should also leverage existing state programs funding advanced transportation technologies, such as AB 118, to maximize investment opportunities, project size and impact. Research and development in this area is especially important in order to meet the demands of California's low carbon fuel standard.

Understanding the water-energy nexus is crucial for the state. AEE is pleased to see the draft concept paper recognizes the opportunity to reduce greenhouse gas emissions tied to water use, transport and conveyance. Increased research and development in this area will continue to spark innovations and is necessary in order to tackle the state's ongoing challenges tied to our water system.

Boost existing programs with a GHG focus and fill funding gaps. The state should boost existing programs that have a proven track record for success and are aligned with the state's AB 32 goals. Programs such as the Self Generation Incentive Program reduce greenhouse gas emissions by providing incentives for distributed generation and decreasing demand on the state's electric grid. Energy efficiency programs administered by the state's utilities have also proven successful in reducing energy consumption through investments in efficiency improvements as well as changes in consumer behavior.

Another critical program set to expire with the California Solar Initiative (CSI) is the California Solar Statistics database. This component of the CSI program provides the public with data on cost of projects, contractors and up-to-date information on the installations in each IOU territory. Good information and readily available data is a valuable resource for consumers and market participants. It increases competition in the market, benefiting all ratepayers. Advanced energy leaders laud the California Solar Statistics database as a model for other programs. Consumers can continue to use this valuable resource if funding is dedicated for its operation beyond the CSI program, ultimately aiding the achievement of AB 32 goals.

Use opportunity of AB 32 funding to better align existing state advanced energy finance programs. California already has a number of existing energy finance entities, including the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA), the California Pollution Control Financing Agency and the California Infrastructure Bank. Too often, however, the funding programs administered by these existing entities have difficulty overcoming individual financing silos, even when funds are available. As such, in structuring the financing elements utilizing AB 32 revenues, the state should seek to break down the barriers between existing programs and better align current and new programs to more efficiently and effectively deploy limited public funds. In particular, the state should look for opportunities to achieve scale across programs and standardize application requirements, contractual terms and data requirements to reduce bureaucracy, streamline the application process and allow for securitization and private sector capital participation.

Expand the role of private capital in financing advanced energy projects. Encouraging private-sector participation in the financing of advanced energy projects has the potential to transform the economics of advanced energy deployment while ensuring greater long-term sustainability than any government-backed program can provide. Whenever appropriate, therefore, the state should seek to explicitly encourage

private-sector participation in its advanced energy financing programs, including allocating a percentage of AB 32 revenues to a finance and investment authority with the objective of expanding the availability of low-cost debt capital for advanced energy projects through partnership with private sector lenders. The state can best achieve this objective by transitioning from grant programs to loan products and providing this finance and investment authority with the independence and legal authority necessary to carry out this purpose.

Structure financing programs to integrate with the capital markets. Long-term sustainability of advanced energy financing programs can best be achieved by unlocking the private capital markets. These markets require two fundamental elements in order to create securitized products around advanced energy loans: reliable and standardized data to allow private sector participants to accurately assess the risk profiles of various loan programs, and standard offer contracts and contractual terms that allow for bundling of individual loans into larger pools. As such, the state should work to incorporate these requirements into their financing programs, working directly with private sector capital providers to create a pipeline between state financing programs and the capital markets.

AEE appreciates the opportunity to provide input on the draft concept paper. We look forward to further development of the investment plan and serving as a resource during this process. Please feel free to contact us with any questions.

Sincerely,



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Advanced Energy Economy

cc: California Air Resources Board
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