

March 8, 2013

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

RE: Cap and Trade Auction Revenue Investment Plan Development – Clean Energy Working Group

Dear Chairperson Nichols,

On behalf of the clean energy businesses, industry groups, regional organizations, and investors listed below, we write to you to provide input on the development of the AB 32 cap and trade auction revenue Investment Plan. We believe that investing a portion of these funds in the development and deployment of clean energy technologies can achieve significant short-and long-term greenhouse gas (GHG) reductions, stimulate job growth, and leverage private investment in California.

Our coalition represents a statewide network of clean energy entities who have come together to form recommendations for how to invest cap and trade revenue in technologies that will help California achieve a sustainable energy future. We believe these funds should be used to invest in projects that further the goals of AB 32 and achieve a balanced and technology-neutral portfolio of programs and projects that include both near term, low-risk, cost-effective strategies and longer term, innovative, higher impact strategies. Investments should support California companies and in-state job development. Many of us supported AB 1532 and SB 535 last year which set key criteria for the expenditure of these funds.

As a general principle, state investment policies should establish clear performance and environmental objectives and support – in a technology neutral fashion – new technologies and a wider deployment of existing technologies that meet those objectives. At a minimum the following technology types should be eligible: renewables, clean energy generation, advanced transportation including infrastructure, energy efficiency technologies and products, demand response, distributed generation, energy storage, microgrids, and smart grid.

We have identified three areas where investments in clean energy technologies can achieve significant GHG reductions and yield meaningful co-benefits such as job creation and improved public health. The three areas are: a) invest in a Sustainable Development Bank, b) invest in existing programs with proven GHG reduction benefits, and c) address key funding gaps to reduce barriers to deployment.

Sustainable Development Bank

In our efforts to spur the development and use of clean energy technologies in California we've identified the cost of financing as a key barrier preventing the widespread adoption of these technologies. A state-run Sustainable Development Bank can help solve this issue and assist in California's long-term transformation toward a lower carbon economy. A successfully implemented Sustainable Development Bank could – with a relatively small amount of state funding – leverage private capital, stimulate widespread adoption of GHG-reducing technologies, and become self-sustaining over time.

Research conducted by some members of this group shows significant opportunity for a Sustainable Development Bank to provide highly leveraged private investments in GHG-reducing projects and create jobs. Preliminary studies show that the state could create an effective Sustainable Development Bank using a relatively small amount of funding (under \$100 million) per year for the first two years. Studies

have also shown that, for certain project types, this level of investment in a Sustainable Development Bank could encourage at least four times more private investment than a similar investment in grant programs, leading to similar gains in employment.

Consistent with the Governor's budget and AB 1532 and SB 535 passed last year, we believe a Sustainable Development Bank could successfully provide low-cost financing to a variety of clean energy projects throughout the state. These projects could include but are not limited to the implementation of Property Assessed Clean Energy (PACE) programs, distributed generation deployments, clean energy generation and energy efficiency upgrades at public facilities, clean transportation fueling infrastructure, deployment of cleaner vehicles and equipment, on-bill repayment programs, and loans to enable companies to pursue green manufacturing in California.

The state has a number of existing institutions and programs that could be adapted to support the work of a Sustainable Development Bank. Such entities include the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA), California Infrastructure Bank, California Pollution Control Financing Authority (CPCFA), Department of Finance, and California Energy Commission (CEC).

The Sustainable Development Bank cannot replace all clean technology investments, but it is an exceptionally cost-effective solution for barriers that can be addressed through financing. Investments made by the Sustainable Development Bank should not duplicate, but should enhance existing program investments. Implementation of the bank should also take into account and coordinate with new programs that are currently being implemented such as Prop 39 and other energy efficiency programs.

Existing programs with GHG reduction benefits

The state has existing programs with proven GHG reduction benefits. Investing in these programs would allow the state to quickly achieve near-term GHG reductions through existing channels by avoiding the time it takes to create entirely new programs. Such programs include:

- Self-Generation Incentive Program (SGIP): Administered by the CPUC, this program helps customers to purchase DG technologies that reduce GHG and other harmful pollutants and improve grid reliability.
 - o Proven GHG reductions: According to the CPUC, in the 2011 program year, SGIP reduced GHG emissions by over 46,000 metric tons (as CO₂ equivalent).
- AB 118 Program: Administered by the CEC and CARB, this program is designed to drive technology advancement needed to meet air quality, GHG emissions, and public health goals by investing in the development and deployment of clean vehicle technologies and alternative fuels throughout the state.
 - o Proven GHG reductions: Since the program's creation in 2007, it has reduced 2.5 million metric tons of CO₂e and 3,500 tons of ozone precursors (CEC, CARB).
- California Solar Statistics (part of California Solar Initiative (CSI)): This program, originally mandated by the CSI program, collects and aggregates data related to cost, geographical distribution, installer, and system size for all solar installations made through the CSI program. This data is available for public viewing on a web-site. The public availability of this data has driven down the cost of solar by making the market more competitive, allows regulators to track installations, and provides a key element of consumer protection as more and more people go solar. Once the CSI incentive ends in an IOU service territory (like it has in San Diego, and will soon in PG&E territory), the statistics are no longer collected.

This data has helped drive down the cost of solar in California and is one of the reasons why California leads the nation in solar deployments. Solar is a proven technology with inherent GHG reduction benefits. Cap and trade auction proceeds could be used to continue the collection and circulation of this data once the CSI program ends.

Reduce barriers to clean technology deployment not currently addressed by existing programs

By investing in specific areas not covered by existing programs the state can help remove key barriers to clean technology deployment and energy efficiency improvements. These investments should be overseen by a single state agency and coordinate with existing programs. Gaps exist in the following areas:

- Implementation of home/business energy efficiency, energy management and demand response technologies through rebates and other innovative measures to increase deployment;
- Funding to accelerate integration of distributed generation, energy storage, and smart grid technologies;
- Market facilitation for emerging technologies to help bridge the “valley of death”;
- Incentivize adoption of DG, smart grid-connected EV infrastructure, and EVs;
- Direct grants for state/local investment in DG - i.e. schools;
- Financing to encourage agricultural biogas production for the pipeline.

Investing in the three categories outlined above will help the state achieve measureable GHG reductions in both the near- and long-term by accelerating the development and deployment of clean energy technologies. These investments also capture important co-benefits such as job creation, reduction of other harmful non-GHG emissions such as particulate matter, and improved public health.

We appreciate the opportunity to submit comments on this important matter and look forward to working with you as you develop the Investment Plan.

Sincerely,

Dan Adler, Managing Director
California Clean Energy Fund (CalCEF)

Matt Golden, Principal
Efficiency.org

James Hall, Policy Director
CALSTART

Jim Hawley, Senior Vice President & General Counsel
TechNet

Nancy Pfund, Managing Partner
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