

April 24, 2013

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XC: Board Members 13-5-4
Chairman Binder 4/25/2013
EO Binder
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Mary Nichols, Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95814

**RE: Comments on the Draft Cap and Trade Auction Proceeds Investment Plan-
Fiscal Years 2013-14 through 2015-16**

Dear Chairwoman Nichols:

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.

As stated in our comments submitted in early March, a well-designed investment plan will help achieve sizable greenhouse gas reductions while stimulating economic growth throughout the state. The developing draft investment plan as released on April 16 identifies multiple areas of investment. AEE believes the plan details a number of strong investment options. We offer the following comments in support of specific categories identified in the report that we believe are especially important to the success of AB 32.

Low-carbon Transportation Incentives. We agree with the Administration and CARB on the need for investment in advanced transportation. Page B-6 of the investment plan outlines potential investments geared toward reducing the impact of freight transport and encouraging zero-emission passenger transportation. We believe investments in this area will benefit the state in reaching near-term reductions while providing co-benefits to disadvantaged communities throughout California. We urge decision-makers to use existing structures to build out these investments to better align funding streams and increase the possibility for leveraging dollars. The AB 118 program in particular is well aligned with the potential investments outlined in the plan and would serve as an appropriate structure for administering incentives for low carbon and zero emission vehicles and infrastructure.

Energy Efficiency and Clean Energy Investments. In our March 8 comments AEE stressed the importance of early investment at industrial sites. We are pleased that "energy efficiency, clean energy and distributed

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63

generation" at industrial sources are included as potential investments in the draft plan (page B-11). AEE believes this particular investment opportunity is vital to the success of the overall program and to help the state's industrial business sector transition to cleaner and advanced energy sources. We urge policymakers to prioritize this investment opportunity to speed emission reductions onsite and to ease leakage and economic concerns so that capped industries are encouraged to invest in the state's economy.

Finance Structures. The draft investment plan also outlines the potential to create a loan loss reserve program among other finance mechanisms (page B-8) in order to expand the opportunity for energy efficiency financing and investment. These mechanisms are important and should be incorporated in a way that enhances the state's ability to attract private capital and eliminates existing market barriers. In our March 8 submission, AEE provided detailed comments on how financing should be used to expand the role of private capital:

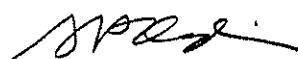
California already has a number of existing energy finance entities, including the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA), the California Pollution Control Financing Agency and the California Infrastructure Bank. Too often, however, the funding programs 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.

Focus on Water Efficiency is Important. AEE supports the use of auction proceeds for water efficiency projects geared to reducing greenhouse gas emissions and increasing the efficiency of water conveyance. Expanding investment in this area will boost efficiency and enable the use of advanced energy technologies in local regions.

As drafted, the investment plan covers multiple priorities for the state. Within each category, policymakers should focus on those investments that directly achieve greenhouse gas reductions and move the state closer to meeting its energy and climate goals.

AEE appreciates the opportunity to provide input at this stage. We look forward to helping define specifics in the investment plan and serving as a resource. Please feel free to contact us with any questions.

Sincerely,



Steve Chadima
Senior Vice President and Director, California Initiatives
Advanced Energy Economy

cc: California Air Resources Board
Richard Corey, Executive Officer, CARB
Ana J. Matosantos, Director, Department of Finance
Cliff Rechtschaffen, Senior Advisor, Office of the Governor
The Honorable John A. Pérez, California State Assembly
The Honorable Connie Conway, California State Assembly
The Honorable Darrell Steinberg, California State Senate
The Honorable Bob Huff, California State Senate
The Honorable Kevin de León, California State Senate