

December 15, 2014

Rajinder Sahota
Chief, Climate Change Program Planning & Management Branch
California Air Resources Board
1001 I Street
Sacramento, CA 95812-2828

Re: Pacific Gas and Electric Company's Comments on the Air Resources Board's Proposed Amendments to the Cap-and-Trade Regulation

Dear Ms. Sahota:

Pacific Gas and Electric Company (PG&E) appreciates the opportunity to comment on the Air Resources Board's (ARB) 45-Day amendments to the Cap-and-Trade Regulation, which adopt a new Rice Cultivation Projects Compliance Offset Protocol (Rice Protocol) and expands the existing Forest Projects Protocol (Forest Protocol), among other changes.

A. INTRODUCTION

The use of high-quality offset credits is an effective cost-containment tool and a critical component of a successful cap-and-trade program. PG&E and other stakeholders predict, however, that without additional offset protocols, the supply of offset credits will fall below the 8 percent Quantitative Usage Limit in Compliance Periods 2 and 3. **PG&E urges the ARB to adopt the Rice Protocol and the expanded Forest Protocol, and to accelerate its efforts to develop additional protocols to increase and ensure adequate offset supply for future compliance periods.**

Additionally, PG&E believes that the ARB's decision to develop the Rice Protocol, which engages the agricultural sector in voluntary emission reduction activities, is an important precedent for other crop-based and model-based offset protocols. PG&E offers input below on how ARB can further improve the Rice Protocol and leverage it to develop other agricultural offset protocols.

B. PROGRAMMATIC COMMENTS ON RICE PROTOCOL

Below are PG&E's comments on the Rice Protocol:

- **Rice Straw Baling:** PG&E appreciates the ARB's investigation of rice straw baling as a potential project activity, and encourages staff to continue their review to accurately assess the impacts of baling on the environment and wildlife. Rice straw baling is a practice that could generate additional offset supply and should be included in a future update to the protocol.

- **DNDC Model:** PG&E supports the ARB's efforts to make the DNDC model more user-friendly for project developers. Improvements to the model's interface will reduce administrative costs and support more project development. PG&E encourages the ARB to continue its enhancements to this tool before the Rice Protocol's implementation date.
- **Reporting:** PG&E welcomes the ARB's provision to allow multiple rice growers to report their emission reductions on a single Offset Project Data Report (OPDR), and the ARB's willingness to create a consolidated reporting template, both of which will help reduce administrative costs and encourage more growers to participate in offset projects. PG&E encourage the ARB to investigate additional ways to simplify the reporting process and lower the barrier to entry for growers to undertake offset projects.
- **Verification:** PG&E supports the proposed Rice Cultivation Pilot Verification Program, which could help support the use of risk-based and randomized verification. Risk-based and randomized verification would reduce the costs and administrative burden of verification, and is critical to making participation in agricultural offset projects cost-effective. Therefore, PG&E urges the ARB to proceed swiftly in implementing this pilot.

C. Conclusion

Thank you for the opportunity to submit these comments on the amendments to the Cap-and-Trade regulation. PG&E looks forward to continuing to work with ARB to ensure the continued success of the Cap-and-Trade program.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark C. Krausse', with a long, sweeping horizontal line extending to the right.

Mark C. Krausse
Senior Director, State Agency Relations