



December 10, 2008

Chair Mary Nichols
California Air Resources Board
1001 I Street
Sacramento, CA 95812

Re: APX Comments Regarding Support for AB 32 Scoping Plan

APX Inc. thanks CARB for the opportunity to submit these comments on its Scoping Plan for AB 32. As background, APX is a Silicon Valley-based company that is a world leader in providing the highest quality infrastructure for environmental markets, including renewable energy and voluntary carbon markets.

APX greatly commends CARB for its far-reaching leadership nationally and internationally on its effort to create a comprehensive framework for reducing state carbon emissions to 1990 levels by 2020 and 80% below 1990 levels by 2050. We particularly commend CARB for its broad multi-sectoral coverage of capped sectors for the cap and trade program, including electricity, large industrial sources, transportation fuels and natural gas. We believe AB 32 will propel the addition of critical technologies, industries and jobs in California, and create a new “clean tech” era for our State and our State’s citizens.

Regional Cap and Trade Program: APX supports CARB’s recommendation for a California cap and trade program that would link with WCI partner programs to create a regional market system. We agree with CARB that California’s participation in such a regional system creates an opportunity to provide substantially greater reductions in GHG emissions than could be achieved by California alone. We also agree such a regional program expands the market for clean technologies and helps avoid leakage. We hope that as other high quality, regional systems are formed, such as the Midwest GHG Accord, California can similarly link to those regional systems.

International Linkages: Further, APX supports CARB’s recognition that linkages with other national and international systems are important. We commend California for being a charter member of the International Carbon Action Partnership (ICAP), and its goal to create a cap and trade system that can easily link to other, high quality cap and trade systems around the world.

For state, regional and international linkages described above, we note that technology exists to effectively manage the transfer and trading of offsets and allowances across jurisdictions. Existing technology, such as that provided by APX, enables the effective tracking and implementation of procedures to minimize and essentially eliminate the potential for errors or double counting in cross-jurisdictional transfers.

Offsets: APX also supports the Scoping Plan's recognition of the important role regarding offsets. APX agrees that offsets provide opportunities for the most cost-effective reductions, which will help meet AB 32 emission reduction targets sooner and at lower cost. By lowering overall costs, an offset program can serve to encourage GHG emissions reductions from sources not covered by a regulation or cap and trade system, which can also spur further innovation in unregulated sectors.

APX agrees that high quality projects located both inside and outside California can help lower compliance costs in California while reducing GHG emissions in areas that would otherwise lack the resources needed to do so. APX applauds CARB for intending to set strict standards for compliance offsets, which is critical for the program's environmental integrity, as well as public support. We encourage CARB to build upon the very good work that has been done to date by entities such as the California Climate Action Registry and The Gold Standard in its efforts to establish the highest quality standards and methodologies. (APX provides technology and services to support both of these programs.) In addition, ensuring the public's access to offset project information and documents, full transparency, and easy web-based access will also help establish public confidence in a future offsets system.

Voluntary Early Action: APX supports CARB's intent to provide a rapid assessment of methodologies for evaluating potential GHG reduction projects to encourage early actions, including issuing Executive Orders to confirm the technical soundness of particular methodologies and stipulation of which methodologies would be available for use. Companies need to know with certainty that their early actions count towards their reduction goals.

Enforcement, Oversight and Compliance: APX appreciates CARB's strong language regarding the importance of strict enforcement, oversight and compliance. In our view, technology and registry systems play an essential role in ensuring the integrity of these new environmental markets. Because registries and tracking systems track an environmental certificate and all associated data across its full lifecycle from creation to retirement, the use of the registry system enables full oversight for regulators as well as complete data for corporations needing to demonstrate compliance. With a registry system in place, corporations in all sectors can quickly respond to important questions such as:

- What are the certificates or offsets supporting the compliance obligation?
- Where did they come from?
- What type of activity created them? Under which protocol or standard?
- Who verified the certificates? When?
- Where are they valid?
- Where have they been transacted?
- What was the price information (if required)?
- Are they now retired?

Because the lifecycle of an allowance or offset is tracked and known, registry systems can provide the basis for information required for environmental oversight. This includes full audit trail and transaction history for all certificates from origination to retirement, including the full pedigree and origin of each certificate. These systems can potentially also provide electricity market oversight for the electricity sector, and securities and

commodities market oversight for financial regulators, should that emerge as a requirement.

Registry systems by themselves do not address policy issues, such as those related to the merits of one protocol or standard versus another, or whether a project is “additional” or not, or easily identify an error in the actual verification procedure. However, the registry system can provide a data path to help an interested party or regulator resolve deeper questions related to the origin and pedigree of a certificate.

We look forward to working with CARB as this critical piece is developed. APX’s strong experience in helping jurisdictions and institutions set up flexible, transparent and reliable environmental market systems indicates that it is never too early to start thinking about the critical infrastructure that will be necessary for effective oversight and compliance management.

Renewable Portfolio Standard: APX supports CARB’s recommendation that the State go to a 33% RPS, including coverage of publicly owned utilities. We are pleased to note that the market infrastructure needed to track and manage the program is fully able to handle this expansion, and is already in place in the Western Renewable Energy Generation Information System (WREGIS), which currently manages California’s Renewable Portfolio Standard and the Renewable Energy Certificates market. WREGIS serves the entire WECC region from Alberta and British Columbia through 14 Western States to Baja, and is APX technology.

Thank you again for the opportunity to submit these comments. We urge the Board to vote favorably on the AB 32 Scoping Plan. APX looks forward to further participation in the AB 32 stakeholder process. Please contact us if you have any questions or need additional information: jmelby@apx.com or gguzy@apx.com.

Sincerely,

John Melby
President

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