

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Integrate
and Refine Procurement Policies and
Consider Long-Term Procurement Plans.

Proposed Rulemaking 12-03-014
(Filed March 22, 2012)

MOTION FOR PARTY STATUS BY THE CLIMATE TRUST

May 14, 2012

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The Climate Trust respectfully moves for party status to R. 12-03-014 in accordance with Rule 1.4(a)(4) of the California Public Utilities Commission (CPUC) Rules of Practice and Procedure.

I. Description of The Climate Trust

The Climate Trust is a non-profit organization whose mission is to provide expertise, financing, and inspiration to accelerate innovative climate solutions that endure. The Climate Trust was established in 1997 to help deliver the emissions reductions envisioned in the United States' first regulation of greenhouse gases under the Oregon Carbon Dioxide Standard. The Climate Trust solicits, negotiates, and contracts to purchase offsets on behalf of its funders, including regulated power plants, businesses and individuals. We have also been involved in a broad scope of activities – outside offset mechanisms - including project finance and championing the adoption of policies that provide environmental integrity and cost-effective ways to address climate change.

The Climate Trust manages a \$20 million carbon project portfolio with 3 million metric tons of verified carbon dioxide-equivalent emissions reductions under contract. To date, The Climate Trust has successfully acquired and retired one million metric tons of offsets on behalf of funders participating in regulatory and voluntary programs across several jurisdictions. The Climate Trust has played a role in procurement and GHG compliance for regulated emitters under a variety of policies and programs across the United States. Since the earliest days of carbon market activity, The Climate Trust has yielded numerous lessons learned and best

practices that are timely and relevant for the policies and regulations being considered by the CPUC.

II. The Climate Trust's Interest in the Proceeding

The Climate Trust has actively participated in the growth and evolution of emissions reductions markets for over a decade. Our clients include entities that will face compliance obligations as well as offset suppliers that expect to deliver verified offset credits for use within California's cap-and-trade program. The procurement policies considered by the CPUC are expected to affect the operations and strategies for The Climate Trust and our clients.

In our procurement role, The Climate Trust is obligated to identify and fund projects to deliver a reliable supply of emissions reductions. In general, the supply of credits and the viability of individual projects are closely tied to the availability of financing; corresponding to a clear and sustained demand for those credits. The Investor Owned Utilities (IOUs) represent a significant segment of demand for the nascent cap-and-trade program in California, especially before several other sectors assume compliance obligations in the second compliance period.

The GHG procurement policies originally considered under the forerunner to this proceeding (R.10-05-006) have the potential to encourage rapid and cost-effective emissions reductions, however, unnecessarily restrictive policies may also negatively impact ratepayers with higher costs while suppressing the development of offset projects. Following more than a decade of experience contracting for emissions reductions and supporting projects, The Climate Trust believes many arrangements that have become common and well-understood in the marketplace (e.g., offset forwards contracts) have generally emerged to address critical financing needs for projects; as opposed to serving speculative aims. The Climate Trust believes the CPUC is in a unique position to craft GHG procurement policies that can protect ratepayers from speculative risk in the marketplace, and ensure IOUs faithfully fulfill their regulatory obligations. These obligations can be fulfilled through transparent market participation, while still avoiding the higher costs that are likely to follow from unnecessary

restrictions to the market activities originally envisioned by AB 32 and the Air Resources Board.

III. The Climate Trust's Contentions in the Proceeding

The Climate Trust expects to participate in this proceeding primarily regarding the policies and regulations affecting the procurement and disposition of GHG compliance units under California's cap-and-trade program.

The Climate Trust is interested in sharing the experiences gained from managing regulatory and voluntary offset programs and securing millions of metric tons of emissions reductions across several jurisdictions.

Through participation in this proceeding, The Climate Trust hopes to help establish and refine the procurement policies for GHG compliance units, so that those innovative projects delivering high-quality and cost-effective emissions reductions in the forestry, biogas, and agricultural sectors can continue to do so; essentially meeting the demand for high-quality offset credits on a sustainable ongoing basis. The viability of the offset component is critical for ensuring California's cap-and-trade program achieves the emissions reductions required to mitigate, and as much as possible, to avoid the anticipated effects of climate change.

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Respectfully submitted,



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