

CPUC Climate Policies and California's GHG Emissions Reduction Goals

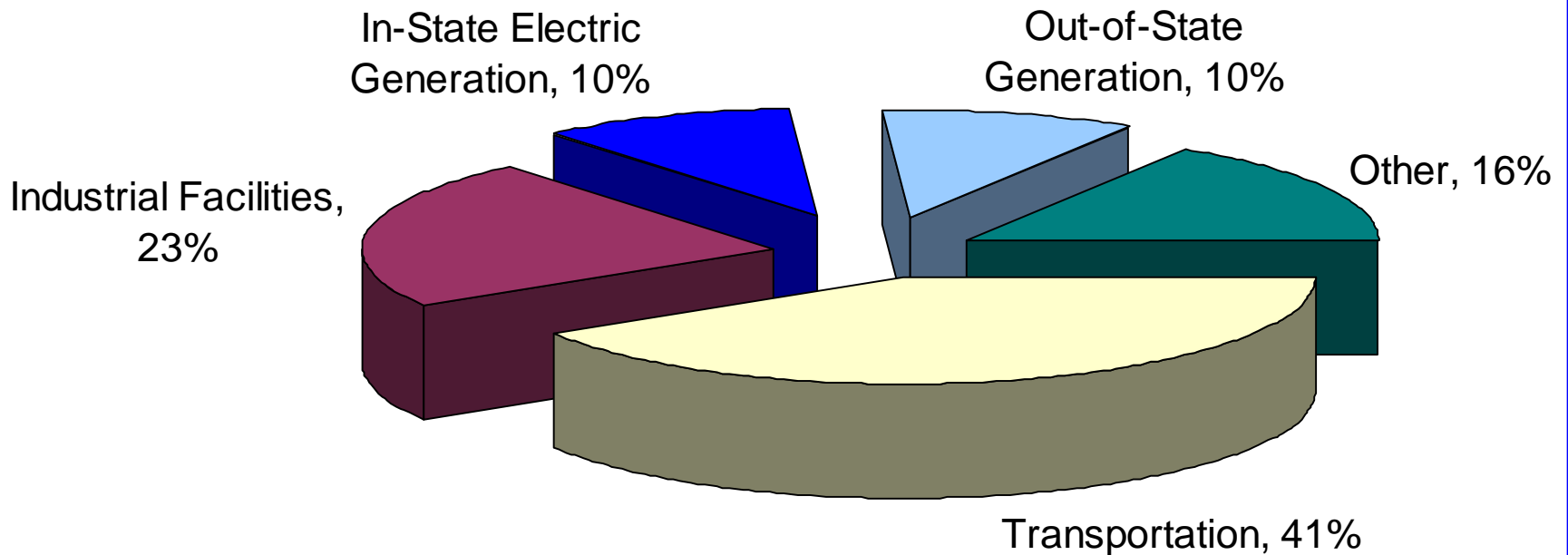
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Climate Action Team Panel
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Sources of California's Greenhouse Gas Emissions





CPUC Policy Priorities

- **Energy Action Plan I & II**
- **The Loading Order for new resources**
- **Greenhouse Gas (GHG) Regulation**
- **Research, Development and Demonstration**
- **California Climate Action Registry**



The “Loading Order” sets priorities for utilities’ acquisition of new resources



Efficiency and Demand Response



Renewable Energy



Clean and Efficient Fossil-fired Energy



Climate Action Team projections of GHG Reductions from CPUC Policies

	2010	2020
• IOU EE programs	4.0	8.8
• Additional IOU EE	NA	6.3
• Accelerated RPS	5.0	11.0
• California Solar Initiative	0.4	3.0
• IOU CHP Initiative	1.1	4.4
• <i>IOU Electricity Sector carbon policy*</i>	1.6	2.7



CPUC Carbon Policy: Initial Steps

- **2004: Environmental Risk Adder**
 - Utilities must add in \$8/CO₂ for carbon based resources when evaluating new supplies.
- **2005: GHG Performance Standard**
 - New long term base-load supplies must meet or beat GHG emissions levels of CCGT.
 - Effectively requires new coal-fired generation to include capacity to capture and store CO₂ safely.



Load-Based GHG Cap

- Load-based cap will be applied to all CPUC-jurisdictional LSEs.
- Initially CO₂, eventually other Kyoto gases
- Includes emissions from imported electricity
- Seeking compatibility with
 - Multi-sector cap proposed in CAT report
 - RGGI initiative
 - EU Emissions Trading System



Implementation Issues

- Reporting standards and requirements
- Establishment of baseline and cap
- Allocation of allowances
- Limiting leakage
- Flexible compliance mechanisms
 - Banking/Borrowing
 - Offsets
 - Trading

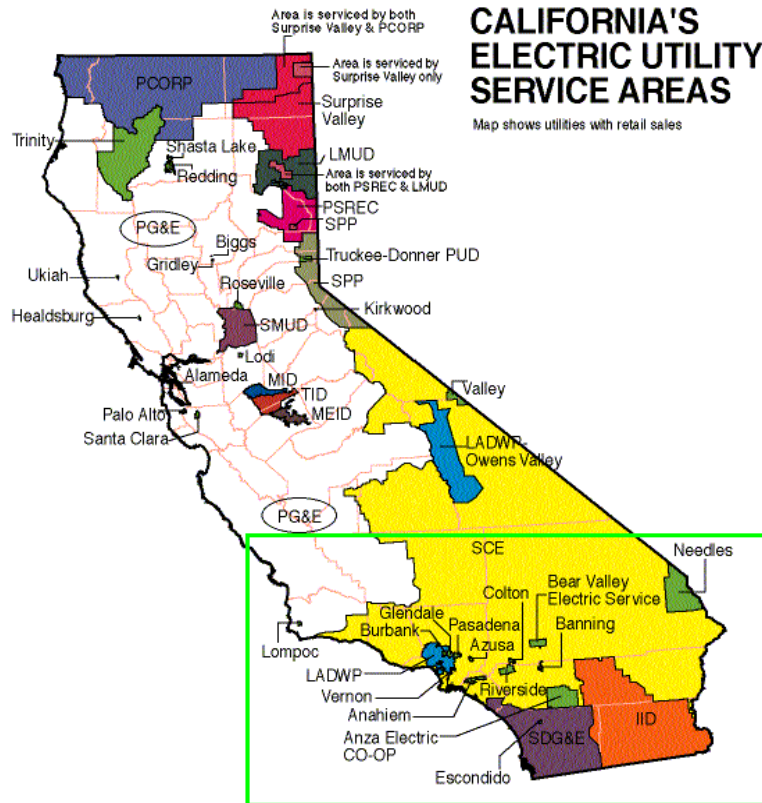


Challenge #1: Limiting Leakage





Challenge #2: a balkanized grid



- CPUC jurisdiction covers about 80% of electricity loads.
- Municipal utilities serve much of the balance
- AB32 would cap GHG emissions from IOUs, ESPs, and munis