

Business Council for Sustainable Energy's 2007 Conf.

CLIMATE CHANGE IN ENERGY POLICY

October 10, 2007

Good evening. It is my pleasure to open the Business Council for Sustainable Energy's event tonight.

I was invited to provide remarks that set the stage for your Conference tomorrow, centered on the notion that "Climate Change Is Energy Policy."

I am Mike Peevey, President of the California Public Utilities Commission.

- We are the first PUC in the nation to squarely address the issue of climate change as it relates to our regulated utilities.
- We approach energy policy and program design in this state under the premise that "Climate Change is Energy Policy."
- This is a much needed standard for operation in states throughout the US, and I am pleased to be a part of events like this that bring together leaders in policy negotiations at all levels of government.

This event brings us together at a pivotal time. We are now at the threshold before comprehensive national legislation to reduce emissions.

- We must seize all collaborative opportunities to discuss ways we can advance *effective* policies at the national level—
 - policies that accelerate deployment of clean energy and energy efficiency;
 - policies that build a strong, new energy economy; and
 - policies that support current successful efforts at the state and regional level.

Many political leaders across the globe are beginning to emerge on climate change as a *bipartisan* issue that demands cooperative energy policy solutions.

- In a speech on September 28th –less than 2 weeks ago—a high profile political leader delivered an address on this subject to a gathering of global policy makers.

He said:

“For many years those who worried about climate change and those who worried about energy security were on opposite ends of the debate. It was said that we faced a

choice between protecting the environment and producing enough energy. Today we know better. These challenges share a common solution: technology. By developing new low-emission technologies, we can meet the growing demand for energy and at the same time reduce air pollution and greenhouse gas emissions. As a result, our nations have an opportunity to leave the debates of the past behind, and reach a consensus on the way forward. And that's our purpose today.”

That is indeed our purpose, and it is nice to be able to credit these words to an American leader. In fact, they came from President Bush twelve days ago, at a meeting of major economies on Energy Security and Climate Change.

The important message is that climate change must be one of the drivers of energy policy at every level. We need policies that speak both to climate and to core development priorities, and we need policymakers that do not perceive that their political and

economic interests are threatened when you address climate change in a substantive way.

- I find this now to be the mindset in more and more state capitals across the country. When I relate the California experience and perspective that climate change is energy policy at events like this, I seem to be preaching to a rapidly growing “choir” of policy and business leaders in the same space.

In fact, the Business Council for Sustainable Energy assembled such a group—of policy, business and opinion leaders—here tonight. This conference brings you together at a critical time in California, as we pursue the aggressive emissions reduction targets set through our landmark global warming legislation.

- Over the next 24 hours you will have a chance to hear from other California “insiders” on our leading edge clean energy and emissions reduction policies, but I would like to take a moment now to provide the foundation for our efforts.

Keep in mind throughout the program tomorrow that our leaders and regulators operate under these fundamentals:

1. Climate change is a global problem; however, we need clear commitment to finding solutions at the local, state and national level.
2. Solutions require the involvement of multiple sectors and will entail a diverse set of players and approaches.
3. To achieve aggressive emissions reductions cost-effectively we cannot rely exclusively on conventional command and control measures.
 - We recognize that the creativity of the market can **and will** play an important role in ensuring that our climate goals can be met at least cost.

By advancing clear regulatory policy that prioritizes energy efficiency and clean energy, **as well as** harnessing the power of free markets, we believe we can reduce emissions more effectively and more affordably.

In California, our state leaders **do not** believe that our state's economic health is threatened if we address climate change in a substantive way. We are working to develop the technological and policy solutions that enable us to fight global warming while maintaining our economic growth and our high living standards.

- AB32, passed by the state legislature, represents an important milestone in our state's efforts in this area. It codifies our commitment to reduce GHG emissions in state law, and identifies the objective, in the form of a statewide carbon cap.
- It directs the Air-Resource Board, working in collaboration with the relevant state agencies, to pursue a variety of policies, including market-based mechanisms, to achieve that goal cost-effectively.
- California plans to reduce emissions to 2000 levels by 2010, to 1990 levels by 2020, and to 80% below 1990 levels by 2050.

And, as many of you know, AB32 dovetails with the direction of the CPUC's ongoing efforts to mitigate the GHG impacts of energy generation in the state.

- In California we have among the world's largest energy efficiency programs, and the most ambitious renewable energy portfolio standard.
 - With our current energy efficiency goals, by 2013 we can eliminate the need for 10 new power plants (500

MW), cut 9 million tons of CO2 emissions annually, and save consumers a total of 10 billion dollars.

- The California RPS will build up from 12% renewables in CA in 2001 to:
 - 20% renewables by 2010
 - 33% renewables by 2020

- These existing programs and investments allow California to immediately enjoy the benefits of energy efficiency and renewable energy, rather than waiting for the implementation of a statewide cap and impending national legislation to reduce emissions.

The CPUC plays a central role—working with several other key players—in determining how the existing successful energy efficiency programs and the Renewable Portfolio Standard are integrated into the AB32 framework.

- As we move toward federal legislation, we know that similar collaboration is essential at all levels, to value the success of state and regional efforts as well as construct effective national policy to reduce emissions.

I understand that tomorrow you will spend considerable time examining the action of California and the Western States on climate change, and the implications for national market and policy development. I will end my remarks here as the preview of more to come.

But I would like to close tonight as I started, with another quote containing a call to action that is directly relevant to this conference and sets the tone for bipartisan national and international collaboration to make “climate policy - energy policy”.

- Particularly notable is that I am able to draw again from the exact words of President Bush.

He said:

“We take this issue seriously. And we look forward to bringing a spirit of cooperation and commitment to our efforts to confront the challenges of energy security and climate change. By working together, we will set wise and effective policies. That's what I'm interested in, effective policies. I want to get the job done. We've identified a problem, let's go solve it together.”

I say; you have been a laggard, but now, you have it right. Honestly speaking, we don't have much time. Massive, multi-sector action is urgently needed, here in California and everywhere.

To each of you, please take this unique opportunity to connect on this issue with leaders in policy and business—both informally tonight and formally at tomorrow's conference.

Thank you.