



April 18, 2008

Kevin Kennedy, Chief Program Evaluation Branch
California Air Resources Board

Re: Comments for Consideration on the Need for an Allocation for Renewable Energy under AB 32

Via Email: kmkenned@arb.ca.gov

Dear Mr. Kennedy and Members of the Staff of the California Air Resources Board:

At the April 4, 2008 AB 32 Program Design Technical Workgroup Stakeholder Meeting, your staff requested written comments as to how an Allocation for Voluntary Renewable Energy purchases could work in the state of California, under AB 32. The Renewable Energy Marketers Association ("REMA") appreciates the opportunity to offer our comments to the California Air Resources Board (CARB).

REMA is a trade association that represents both for-profit and nonprofit organizations that sell or promote renewable energy products through voluntary markets, including renewable electricity and Renewable Energy Certificates (RECs), to individuals, companies and institutions throughout North America. REMA looks forward to working with the CARB as it further develops the AB 32 Scoping Plan and is available to discuss our recommendations in further detail.

Introduction

An essential principle of the voluntary market for renewable energy is that consumers can make a difference with their purchase -- that as more renewable energy is produced the more GHGs are reduced, as a result of these voluntary purchases. Depending on how it is implemented, a greenhouse gas cap can have a significant impact on voluntary renewable energy sales. Specifically, the treatment of renewable energy under a cap-and-trade program could undermine the voluntary green power market. A primary motivation for voluntary renewable energy purchases is to reduce the buyer's GHG footprint. This benefit—the ability to reduce electric sector emissions—would be eliminated if voluntary market sales of renewable electricity and RECs are not somehow linked to the retirement of allowances or the reduction of the cap.

Therefore, with respect to the design of carbon cap-and-trade programs, REMA's primary objective is to ensure that any program design supports the ability of voluntary renewable energy demand to reduce emissions. To accomplish this objective, voluntary demand for renewable energy must result in either retirement of allowances or in lowering of the cap.

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If because of the design of the cap-and-trade regime, no direct reduction in GHG allowances can be attributed to new clean renewable generation sold to voluntary buyers, it is not only retailers of RECs and other renewable energy products, but also developers and owners of renewable energy facilities, whose incremental effect on emission reductions would be penalized. Eliminating the role of voluntary renewable markets in reducing emissions would be an unnecessary casualty of a cap and trade system and would represent a missed opportunity for non-covered entities (renewable energy generators) to lower the overall level of the cap through voluntary action.

A well-designed cap and trade regime can insure a “best of both worlds” outcome where voluntary markets are additive to compliance targets. This is desirable since not all actors in the economy will be covered by the cap and it respects the voluntary choice of corporations and individuals to reduce GHG emissions below the level of the cap.

The AB 32 Scoping Plan Design Recommendations Should Include a Voluntary Renewable Energy Allocation

REMA encourages the CARB to incorporate an allocation for renewable energy in the AB 32 Scoping Plan Design Recommendations to allow for competition and customer choice for incremental renewable energy through voluntary market activities

REMA recommends an allocation for voluntary renewable purchases, ensuring allowances are retired proportionately to voluntary purchases of eligible renewable energy. In the context of the Regional Greenhouse Gas Initiative (RGGI) in the northeast states, REMA has encouraged a similar allocation for voluntary renewable energy purchases. The RGGI model rule does, in fact, include a voluntary renewable energy set-aside and several RGGI states have adopted allocation models that retire allowances on behalf of voluntary renewable sales.

REMA is concerned that the AB 32 Technical Workgroup papers to date have not addressed the voluntary renewable energy market. REMA believes there is wide spread support for the recognition of voluntary renewable energy purchases and strongly encourages the CARB to include an allocation for those purchases into the design of the Scoping Plan. REMA further encourages the CARB to avoid the use of a hard cap on voluntary renewable energy allowances. Rather REMA recommends that the allowances retired be allowed to grow in proportion to the size of California’s voluntary renewable market¹

¹ As an example, the REMA and the Renewable Energy Marketing Association (REMA) recently suggested that New York adopt a sound approach to managing a voluntary renewable energy set-aside account by starting with an initial allocation of allowances based on a percentage of overall allowances (in NY’s case, one percent) and subsequently truing-up the account in the following year, based on actual sales. This will ensure that customers in a given state/province who purchase renewable energy through the voluntary market are indeed receiving the GHG benefits they have sought to buy.



Why the AB 32 Scoping Plan Design Recommendations Should Include a Voluntary Renewable Energy Allocation Now as Opposed to Later

The present AB 32 Scoping Plan Program Design work makes no provision for an allocation for renewable energy, or for the voluntary market. We believe that the CARB needs to highlight this issue now so that it will be incorporated into the final draft design of the AB 32 Scoping Plan.

The Current Voluntary Renewable Energy Marketplace in California Today

Presently, there are nine utility green pricing programs within the state of California. Of these 9 programs, 4 rank in the NREL Top 10 for one or more categories nationwide². California has more corporate customers of voluntary renewable energy enrolled as US EPA Green Power Partners than any other state with the exception of Texas. A robust REC and distributed renewable energy generation market operates in California. Without An Allocation for Renewable Energy provision under AB32, California's leading voluntary renewable energy market may cease to exist.

The table below was created by the U. S. Department of Energy, Energy Efficiency and Renewable Energy Division and is posted on their website and lists utility green power programs by state. (See:

www.eere.energy.gov/greenpower/markets/pricing.shtml?page=1)

State	Utility Name	Program Name	Type	Start Date	Premium
CA	Anaheim Public Utilities	Sun Power for the Schools	PV	2002	Contribution
CA	Anaheim Public Utilities	Green Power for the Grid	wind, landfill gas	2002	1.5¢/kWh
CA	Burbank Water and Power	Green Energy Champion	Various	2007	2.0¢/kWh
CA	Los Angeles Department of Water and Power	Green Power for a Green LA	wind, landfill gas	1999	3.0¢/kWh
CA	PacifiCorp: Pacific Power	Blue Sky Block	Wind	2000	1.95¢/kWh
CA	Palo Alto Utilities / 3Degrees	Palo Alto Green	wind, PV	2003 / 2000	1.5¢/kWh
CA	Pasadena Water & Power	Green Power	Wind	2003	2.5¢/kWh
CA	Roseville Electric / 3Degrees	Green Roseville	wind, PV	2005	1.5¢/kWh
CA	Sacramento Municipal Utility District	SolarShares	PV	2007	5.0¢kWh or \$30/month

² The NREL Top 10 Utility Green Power Program Rankings are posted on the NREL website: www.eere.energy.gov/greenpower/markets/pricing.shtml?page=3

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CA	Sacramento Municipal Utility District	Greenenergy	wind, landfill gas, hydro, PV	1997	1.0¢/kWh or \$6/month
CA	Silicon Valley Power / 3Degrees	Santa Clara Green Power	wind, PV	2004	1.5¢/kWh

The US EPA publishes a Green Power Partner list of nearly 950 organizations that collectively purchase more than 14.3 billion kilowatt-hours of green power annually. This total is the equivalent amount of electricity needed to power nearly 1.5 million average American homes for one year. The California-based Green Power Partners on that list represent 111 organizations. See Appendix “A” for the list of California-Based EPA Green Power Partner Organizations.

Building Upon Strong National Growth in Voluntary Renewable Energy Markets

REMA believes that there is widespread support for a Voluntary Renewable Energy (VRE) allocation under AB 32. Many others -- policymakers, renewable energy developers, green power purchasers, environmental advocates and utilities, share this view. The current scope of the voluntary portion of RE market is large and growing very quickly.

The latest un-audited market data demonstrates that 20 million MWH of RE was delivered to voluntary customers in 2007. Of that amount, 15 million MWhs was sold in the form of RECs. This is approximately equal to the same number of MWH that were delivered by RPS compliance markets. In short, voluntary purchases are driving as much new RE as that mandated by compliance markets. Further, the voluntary renewable market grew 50% last year and 40% annually for the 3 years prior. This is significantly faster than the compliance markets are growing.

Building Upon the Experience with Voluntary Renewable Energy Set Asides in RGGI

As you certainly know, in the Northeast Regional Greenhouse Gas Initiative (RGGI) the model rule developed co-operatively by all stakeholders to guide individual states includes a voluntary set-aside provision for Renewable Energy. The majority of RGGI states -- Connecticut, Maine, Massachusetts, Rhode Island, New York, New Hampshire, and Maryland – have followed the guidance provided by the model rule and have included voluntary renewable energy set-aside provisions in their RGGI legislation or draft or final rules.³ By including an appropriate provision in its regulations, the CARB

will not only ensure that voluntary purchases by individuals and businesses remain robust, but also will ensure the economic and environmental benefits that come from

³ New Jersey and Delaware have not yet issued draft rules. Maine recently passed legislation to include a set-aside and Vermont is considering as part of a Public Service Board process.

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REC sales and from the development of new renewable energy projects to support those sales.

Conclusion: Customer Choice is at Stake without a Voluntary Renewable Energy Allocation

In closing, we would like to thank the California Air Resources Board for the opportunity to comment. Voluntary renewable energy markets offer citizens and businesses the power of choice—a fundamental value in our society. We believe it is essential to encourage individuals and organizations to make meaningful choices about their electricity supply, and in so doing, help address climate change, reduce air pollution, and support the transition to a cleaner energy future.

Sincerely,

The Renewable Energy Marketers Association

The views expressed by REMA in this regulatory filing do not necessarily represent the views of each individual member company.

Appendix “A” – List of EPA Green Power Partners, Based in California

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Name	Organization Type	Leadership Club	State
Affordable Internet Services Online	Information Technology		CA
Agilent Technologies / Santa Clara location	Information Technology		CA
Alameda County's StopWaste.Org	Govt. (Local, Municipal)		CA
Alameda County, CA / GSA Facilities	Govt. (Local, Municipal)		CA
American Apparel Factory Headquarters	Clothing & Textile		CA
American Honda Motor Co./LEED-Certified Facilities	Automotive		CA
Amyris Biotechnologies	Health Care		CA
Applied Materials, Inc.	Information Technology		CA
Beautyland Beauty Supply	Retail		CA
Blake's Auto Body of Rohnert Park, CA	Automotive		CA
Boulder Associates / Sacramento, CA Office	Architecture Svcs.		CA
BT Americas / HQ El Segundo	Telecommunications		CA
Butte County, CA / Government Center	Govt. (Local, Municipal)		CA
Butte-Glenn Community College District	Education (Higher)		CA
California Graphics, Inc.	Media, Print & Publishing		CA
California State University System	Education (Higher)		CA
Center for Resource Solutions	Non-Profit (NGO)		CA
Chautauqua Natural Foods	Food & Beverage		CA
Cisco Systems, Inc.	Information Technology	Leadership Club	CA
City of Chico, CA	Govt. (Local, Municipal)		CA
City of Fresno, CA / General Services Department	Govt. (Local, Municipal)		CA
City of Livermore, CA / City Hall	Govt. (Local, Municipal)		CA
City of Mt. Shasta, CA	Govt. (Local, Municipal)		CA
City of Palo Alto, CA	Govt. (Local, Municipal)		CA

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City of Pasadena, CA / City Hall	Govt. (Local, Municipal)		CA
City of San Diego, CA	Govt. (Local, Municipal)	Leadership Club	CA
City of San Francisco/Moscone Convention Center	Govt. (Local, Municipal)		CA
City of Santa Barbara, CA / El Estero WWTP	Govt. (Local, Municipal)		CA
City of Santa Clara, CA	Govt. (Local, Municipal)		CA
City of Santa Monica, CA	Govt. (Local, Municipal)	Leadership Club	CA
City of Vallejo, CA / City Hall	Govt. (Local, Municipal)		CA
Clif Bar	Food & Beverage	Leadership Club	CA
Domaine Carneros Winery	Wineries & Breweries		CA
Earth Island	Food & Beverage		CA
Ecology Action of Santa Cruz	Non-Profit (NGO)		CA
FedEx Express / Oakland Hub Facility	Transport & Shipping		CA
Fetzer Vineyards	Wineries & Breweries	Leadership Club	CA
ForestEthics	Non-Profit (NGO)		CA
Frog's Leap Winery	Wineries & Breweries		CA
Garden Court Hotel	Travel & Leisure		CA
Garuda International, Inc.	Retail		CA
GreenerPrinter	Media, Print & Publishing		CA
Greenest Host	Information Technology		CA
Hewlett-Packard	Information Technology		CA
IBEW Local 332	Non-Profit (NGO)		CA
IBM Corporation / Foster City, CA Facilities	Information Technology		CA
IDEO / Palo Alto Facility	Consulting Srvcs.		CA
Intel Corporation	Information Technology	Leadership Club	CA

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Kelley Stoltz	Media, Print & Publishing		CA
Kentfield School District	Education (K-12)		CA
KeyPoint Credit Union	Banking & Fin. Svcs.		CA
KNTV Television Inc. NBC 11	Media, Print & Publishing	Leadership Club	CA
Live Nation / San Francisco	Other		CA
Lockheed Martin / Palo Alto Facilities	Industrial Goods & Svcs.		CA
Lockheed Martin / Plant 1 - Sunnyvale, CA	Industrial Goods & Svcs.		CA
Los Angeles Convention Center	Travel & Leisure		CA
Los Angeles County Sanitation Districts	Govt. (Local, Municipal)	Leadership Club	CA
Los Angeles World Airports	Transport & Shipping		CA
Loyola Marymount University	Education (Higher)		CA
Lunar Design / Palo Alto Facility	Constr. & Eng. Svcs.		CA
Lundberg Family Farms	Ag. & Nat. Resources	Leadership Club	CA
Macy's, Inc. West Division	Retail		CA
Method Products, Inc.	Consumer Products	Leadership Club	CA
Molletphoto	Other		CA
National Semiconductor / Corporate Headquarters	Information Technology		CA
New Leaf Paper	Consumer Products		CA
newScale	Other		CA
Oracle Corporation / Austin Facility	Information Technology		CA
Palo Alto (CA) Community	Green Power Community		CA
Palo Alto Regional Water Quality Control Plant	Govt. (Local, Municipal)	Leadership Club	CA
Peninsula Conservation Center	Non-Profit (NGO)		CA
Peninsula Packaging Company	Industrial Goods & Svcs.		CA
Petaluma Acquisition, LLC dba Petaluma Poultry	Food & Beverage		CA

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prAna	Clothing & Textile	Leadership Club	CA
Ridge Vineyards	Wineries & Breweries		CA
Robert Becker, Inc.	Other		CA
Roche / Palo Alto & Pleasanton Sites	Health Care		CA
Rodney Strong Vineyards	Wineries & Breweries		CA
Roos Instruments, Inc.	Information Technology		CA
Safeway Inc.	Retail		CA
San Jose/Santa Clara Water Pollution Control Plant	Govt. (Local, Municipal)		CA
San Mateo County Forensics Lab & PW Facilities	Govt. (Local, Municipal)		CA
Santa Clara (CA) Community	Green Power Community		CA
Santa Clara University	Education (Higher)		CA
Sephora USA/5 TX Locations	Retail		CA
Sewerage Commission/ Oroville, CA Region	Govt. (Local, Municipal)		CA
Shaklee Corporation	Consumer Products	Leadership Club	CA
Sierra Nevada Brewing Company	Wineries & Breweries		CA
Sims Recycling Solutions / Roseville Facility	Industrial Goods & Svcs.		CA
Smucker Quality Beverages	Food & Beverage		CA
SMWM	Constr. & Eng. Svcs.		CA
Social Venture Network	Other		CA
Solano County, CA / Health & Social Services HQ	Govt. (Local, Municipal)		CA
Spirit Graphics & Printing	Media, Print & Publishing		CA
St. Francis Winery	Wineries & Breweries		CA
Stanford University / Synergy House	Education (Higher)		CA
Sugar Bowl Ski Resort	Travel & Leisure	Leadership Club	CA

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Terremark Worldwide, Inc.	Information Technology		CA
The Plaza Suites	Travel & Leisure		CA
Toyota Motor Sales / Headquarters South Campus	Automotive		CA
Traditional Medicinals	Food & Beverage		CA
University of California, Santa Cruz	Education (Higher)	Leadership Club	CA
Viator, Inc.	Travel & Leisure		CA
Wells Fargo & Company	Banking & Fin. Svcs.	Leadership Club	CA
Westfield Valley Fair / Santa Clara, CA	Real Estate		CA
Wilson Sonsini Goodrich & Rosati	Legal Services		CA
Xilinx / San Jose Campus	Information Technology		CA
XL Construction Corporation	Constr. & Eng. Svcs.		CA
Yahoo! Inc./Santa Clara Sites	Information Technology		CA
Yolo County, CA / Bauer Health Building	Govt. (Local, Municipal)		CA
Yorkshire Development	Real Estate		CA

<http://www.epa.gov/grnpower/partners/index.htm>

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