

Please see below Sempra Energy's brief comments concerning the five questions in the staff paper on offsets discussed at the April 4, 2008 workshop.

1. Should California have an offsets program for compliance purposes?

Yes. Offsets are a critical component to reduce compliance costs while providing real reductions. Credits should be fungible and tradable in a world-wide marketplace.

2. What should the project approval and quantification process be for approving projects?

Sempra Energy favors a hybrid approach for quantification which may differ depending on project type. Some sources of reduction opportunities may be sufficiently similar from project to project to benefit from a standard protocol. Others may be more unusual or variable. A standard protocol should not be required for all offsets since they could easily over-restrict and delay offset opportunities. California should consider using protocols established by other recognized crediting institutions (e.g. EU, Kyoto, RGGI, WCI, and the California Climate Action Registry) in order to promote linkage.

3. Should there be quantitative limits on the use of offsets for compliance purposes? If so, how should the limits be determined?

No.

4. Should California establish geographic limits or preferences on the location of projects that could be used to generate credits within the offsets system? If so, what should be the nature of those limits or preferences?

No.

5. Should California discount credits from offset projects?

No. Review of the integrity of offsets should be based upon analysis of the crediting program, and not presume a certain reduction is necessary across the board.

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