

Question 1: What type of cost containment mechanisms should California consider for a potential cap-and-trade system?

Response: At this point all mechanisms should be kept on the table. Cost containment mechanisms should not be looked at in isolation. Other policy decisions, including offsets and linkage, should be considered along with cost-containment mechanisms because of interactions between them.

Question 2: Is there a need to establish an independent market oversight body?

Response: An independent market oversight body may be desirable. Such an agency could improve market transparency and liquidity through activities such as:

- * Monitoring and reporting on allowance transactions and prices.
- * Monitoring and reporting on offset transactions and prices.
- * Providing a frequently updated estimate of actual CO2 emissions to date in each compliance period.

A market oversight body might also play a role in a discretionary cost-containment mechanism. An automatic, non-discretionary cost-containment mechanism might have value to the extent that it decreases market uncertainty compared to a discretionary mechanism.

Question 3: Which systems should be considered for linkage with a potential California cap-and-trade scheme?

Response: As with cost-containment mechanisms, at this point all systems should be considered. Linkage is an important policy decision that deserves further examination.

In addition to these responses, PG&E has attached the March 20, 2008 "Cost Containment Discussion Paper" by the United States Climate Action Partnership. USCAP is a group of businesses and leading environmental organizations <about/members.asp> that have come together to call on the federal government to quickly enact strong national legislation to require significant reductions of greenhouse gas emissions. The members are listed at the USCAP website: <http://www.us-cap.org/>