

CALIFORNIA ENERGY COMMISSION

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STATE OF CALIFORNIA
ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of:)

Docket: 07-OIIP-1

AB 32 Collaborative Proceeding)

Adoption Order No. 08-1016-1

DOCKET	
07-OIIP-1	
DATE	OCT 16 2008
RECD.	OCT 28 2008

I. BACKGROUND

AB 32 (Stats. 2006, ch. 488) requires the California Air Resources Board (ARB), after consulting with all state agencies with jurisdiction over sources of greenhouse gases, including the California Public Utilities Commission (CPUC) and the Energy Commission, to adopt a greenhouse gas (GHG) emissions cap on all major sources to reduce statewide emissions of greenhouse gases to 1990 levels. In addition to other benchmark requirements, AB 32 requires ARB to adopt a scoping plan by January 1, 2009 for achieving the maximum technologically feasible and cost-effective reductions in greenhouse gas emissions by 2020 and directs the agency to consult with the Public Utilities Commission (CPUC) and the Energy Commission on all elements of the plan that pertain to energy related matters. The Energy Commission has been collaborating with the CPUC to craft recommendations to ARB for the electricity and natural gas sectors and the agencies have already provided recommendations on the reporting and verification of GHG emissions and on the appropriate mix of regulatory measures and a cap and trade system to best achieve the necessary reductions.

In April and May, 2008, the Energy Commission's AB 32 Implementation Committee (Committee), consisting of Chairman Jackalyn Pfannenstiel as the Presiding Member and Commissioner Jeffrey D. Byron as the Associate Member, along with Commissioners from the CPUC, held a series of workshops regarding greenhouse gas emission allocation issues in the electricity and natural gas sectors and economic modeling results.

After considering information presented at workshops, materials in the record, and comments filed by the parties in this proceeding, the Committee, together with its

counterpart at the CPUC, drafted and issued a "Proposed Final Opinion on Greenhouse Gas Regulatory Strategies," on September 12, 2008, which provides further recommendations to the ARB to help achieve GHG targets in the electricity sector. The Final Opinion recommends a mix of direct mandatory/regulatory requirements and a cap-and-trade system for the electricity sector. The regulatory requirements include pursuing all cost-effective energy efficiency in the State, increasing California's reliance on renewables so that 33% of the State's energy needs are met by renewable resources by 2020, and encouraging combined heat and power installations. The cap-and-trade system would begin with most emission allowances freely allocated and would transition to auctioning 100% of the allowances by 2016. After receiving comments on the proposed decision, a revised version was issued on October 16, 2008.

II. ACTION TAKEN

At a special business meeting held on October 16, 2008, the Energy Commission, after discussing the item, voted to adopt the revised "Final Opinion on Greenhouse Gas Regulatory Strategies."

It is hereby ordered that this document shall be provided to the ARB and made available to the public.

Dated: October 16, 2008

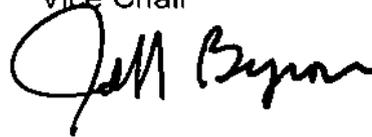
STATE ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION



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