

Ferguson: Energy Matters

March 2, 2007

Smoothing AB 32 with Good Intentions

The Big News this week was that California's governor signed a memorandum of understanding with the states of Washington, Oregon, New Mexico, and Arizona to jointly proceed with plans to reduce emissions of greenhouse gases in the fight against global warming. With luck, the deal may produce some useful results. Progress languishes, though, here in California. Utilities are stonewalling, and a plethora of agencies and proceedings impedes progress.

My message to the governor and his agencies is that it will be a long time before all this bureaucratic maneuvering produces any tangible results. Remember, the year 2020-the AB 32 deadline-is not far away. (AB 32 is the state law requiring reduction of greenhouse gases.)

Instead of waiting for years of proceedings to conclude, we need some immediate decisions so the real work of reducing greenhouse gases can begin.

The Center for Energy Efficiency and Renewable Technologies urged the California Public Utilities Commission to order investor-owned utilities to revise their procurement plans to comply with AB 32 and to provide utilities with the guidelines they need to make the revisions. Testimony to that effect was filed March 2.

With all the hubbub about climate change and AB 32, one might have expected the utilities' plans-filed just last December-to reflect the state's commitment to reducing greenhouse gas emissions to 1990 levels by 2020.

They did not. Instead, the plans cited "regulatory uncertainty" as the excuse to postpone consideration of the fundamental changes that AB 32 requires.

California cannot wait years to provide the utilities with the guidelines they need just to begin planning for AB 32 compliance. On an interim basis, the commission must give the utilities their initial marching orders immediately.

Less than 14 years remain until the end of the year 2020, when California has vowed to reduce greenhouse gas emissions to 1990 levels or below.

To plan for the energy resources that will reduce their greenhouse gas emissions, utilities need to know the 2020 emissions target that they are expected to meet and the rules for compliance with the target.

Agency staff are planning to expend half a year discussing the AB 32 targets for the electricity sector as a whole. More time will elapse before the sectorwide target is allocated among individual utilities. Even more months will be consumed before the compliance rules are determined, a credit-trading system is established, lawsuits are settled, and so on.

Allowing utilities to wait until this elaborate structure is in place to even begin planning for the necessary changes is a recipe for failure.

The commission should provide investor-owned utilities with interim greenhouse gas emissions reduction targets and guidelines within the next few months. Regulators should simply order each utility to make plans for reducing its emissions to 1990 levels by 2020. This interim target can be modified up or down in future years as needed.

On an interim basis, utility plans should not count on the use of offsets for compliance. That is, for the time being at least, emissions reductions mean decreases in carbon dioxide emitted by the generators that supply the utility's power.

AB 32 implementation has gotten bogged down in elaborate plans to issue emissions "credits" and establish an interstate market where these credits can be bought and sold. According to the word on the street, dozens of economists have been hired by the state to design all this.

I may just be old-fashioned, but if we're serious about AB 32, why aren't we talking about how to get the needed steel in the ground? Economists won't reduce greenhouse gases by one microgram. What we need are more transmission lines hooked up to wind farms, solar projects, and geothermal fields.

This isn't rocket science, it's a matter of getting new emissions-free power plants built and hooked up to the grid.

As the facilitator of the Tehachapi study group, I learned firsthand how much time it takes to build new power lines. Planning and permitting the Tehachapi transmission project—aimed at bringing wind energy into Southern California's urban areas—will have taken four-plus years by the time permits are complete. The Tehachapi project is not scheduled to be fully operational until 2013, nine years after planning began in earnest, and the wind energy that Tehachapi will provide is a small fraction of the clean power needed for AB 32. If it takes several more years even to begin planning the next project, AB 32 is doomed to failure.

California should be deciding where the wind turbines will go, where the solar collectors will be, and what new transmission facilities are needed. Interim rules can be modified in the future.

The CPUC has no jurisdiction over municipally owned utilities, but munis also need to get busy planning for the changes in electric energy resources that AB 32 will require. Most of the coal-fired power purchased in California is bought by the munis, and replacing this with less polluting resources won't be easy. In addition to action from the CPUC, the California Air Resources Board, which oversees AB 32 compliance, immediately needs to establish some interim targets and compliance guidelines for the munis.

I am delighted that the fight against global warming is gaining momentum at long last. But all the legislation, gubernatorial pronouncements, interstate agreements, media coverage, and bureaucratic processes must produce meaningful changes in the real world.

California's utilities must start planning today for the new infrastructure needed to fight global warming. There isn't a moment to waste.

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