



September 3, 2008

The Honorable Arnold Schwarzenegger
Governor, State of California
State Capitol
Sacramento, CA 95814

**Re: Veto Request
SB 1762 (Perata): Climate Change Institute**

Dear Governor Schwarzenegger:

On behalf of the undersigned we are writing to respectfully request that you veto SB 1762 (Perata).

SB 1762 establishes the California Climate Change Institute (Institute). The Institute would be charged with being the exclusive entity in California to fund climate change related RD&D. In order to finance the Institute, \$49 million would be collected annually from two different sources: 1) the Public Interest Energy Research (PIER) and 2) a \$37 million ratepayer increase.

The bill funds the Institute through assessments on California's natural gas and electric ratepayers. Over the lifetime of the Institute, SB 1762 authorizes \$370 million in NEW rates for ratepayers and seizes \$120 million from the existing PIER program (which is currently funded by ratepayers) and redirects it to the Institute.

SB 1762 ignores CARB's authority to guide AB 32 implementation

AB 32 sets the greenhouse gas (GHG) emission reduction goal for the state, an aggressive 30% reduction by 2020. CARB has been given authority to develop the scoping plan for implementation, including development of research and technology development strategies. Under Section 38591(d) of AB 32:

The state board shall appoint an Economic and Technology Advancement Advisory Committee (ETAAC) to advise the state board on activities that will facilitate investment in and implementation of technological research and development opportunities, including, but not limited to, identifying new

technologies, research, demonstration projects, funding opportunities, developing state, national, and international partnerships and technology transfer opportunities, and identifying and assessing research and advanced technology investment and incentive opportunities that will assist in the reduction of greenhouse gas emissions. The committee may also advise the state board on state, regional, national, and international economic and technological developments related to greenhouse gas emission reductions.

ETAAC has not recommended establishment of a Climate Change Institute, nor does the CARB draft scoping plan include establishment of an Institute as proposed in this bill. Until CARB can assess how technology development should be promoted in the state (including the appropriate role of business, academia and government, the right level of funding and who should bear the costs), it is premature to approve establishment of the Institute in SB 1762

SB 1762 limits CARB authority to undertake climate change RD&D initiatives.

SB 1762 takes away authority granted CARB under AB 32 by giving the Institute the “exclusive authority” for the state’s climate change RD&D strategy.¹ SB 1762 specifically provides that if the Institute is created, the California Energy Commission (CEC) shall not fund any new climate change research as part of its activities pursuant to the PIER program². This exclusive role, not anticipated by CARB in the scoping plan, nor by ETAAC in its deliberations last year, could lead to an RD&D strategy that is not aligned with the scoping plan. Any technology development strategies identified by CARB would not be within CARB’s authority to implement.

Detrimental impact of transferring PIER funds to the Institute

SB 1762 would significantly detract from current energy and climate change RD&D efforts by transferring funds from the Public Interest Energy Research (PIER) natural gas funds administered by the Energy Commission. Many technologies supported by the PIER projects have demonstrated numerous benefits other than GHG emission reduction, such as reducing energy costs, improving energy reliability, and reducing other environmental impacts. Elimination of these funds for these projects would hamper the ability of the state to develop the necessary technologies for a more efficient and reliable natural gas sector.

New costs on ratepayers should be aligned with the state plan for AB 32.

Ratepayers will soon face higher utility bills due to higher natural gas costs and infrastructure charges. Other energy policies already adopted, such as the California Solar Initiative, and looming new policies such as AB 1X reform and an increase in RPS to 33%, will add more new costs in the coming years. While supporters argue that SB 1762 will raise “only” 10 cents per rate payer, they do not show that the Institute is the

¹ SB 1762, Section 3414(a).

² Senate Rules Committee Analysis 8/31/2008

best use of these funds – that this expenditure is more important than other programs to achieve AB 32 goals. Until we have a better understanding of the scope of those programs and their costs, we should not assume SB 1762 is the right way to spend ratepayer funds.

First call on ratepayer funds should be for technologies and strategies to achieve emission reductions, not climate change mitigation research.

Ratepayer funds dedicated to climate change should be directed at technologies and strategies to meet the AB 32 emission reduction goal. SB 1762 goes beyond AB 32 and CARB's plan by using natural gas and electric ratepayer funds to support research on climate change mitigation technologies and strategies, social science research, climate change adaptation and forecasting, and green workforce development strategies. Without comment on the value or need for such research, we believe it should not be funded by electric and natural gas ratepayers. Many benefits from the research to be conducted by the Institute will be enjoyed by a much broader community than ratepayers and it is unfair to solely burden them with the cost. In addition, residential, commercial and industrial ratepayers already pay the highest rates in the country. Imposing this additional burden will hurt consumers and the economy.

Thank you for considering our concerns.

cc: The Honorable Don Perata
Mr. Chris Kahn, Legislative Secretary
Ms. Jackalyne Pfannestiel, Chair, California Energy Commission
Mr. John Moffatt, Deputy Legislative Secretary
Mr. Chris Mowrer, Deputy Secretary for Legislation, California Resources Agency
Mr. Robert Oglesby, Manager Legislative Affairs, California Air Resources Board