



June 18, 2013

The Honorable Ricardo Lara  
California State Senate  
Room 5050  
State Capitol  
Sacramento, CA 95814

**SUBJECT: Business Council for Sustainable Energy Views Regarding SB 605**

Dear Senator Lara:

I am writing on behalf of the Business Council for Sustainable Energy (BCSE) regarding your legislation SB605, which was recently passed by the California State Senate. BCSE believes that while the legislation is well-intentioned, SB 605 could increase the cost of compliance with the State's AB 32 Cap and Trade Program for all California residents.

The Business Council for Sustainable Energy is a coalition of companies and trade associations from the energy efficiency, natural gas and renewable energy sectors, and also includes independent electric power producers, investor-owned utilities, publicly-owned utilities and commercial end-users. Founded in 1992, the Council advocates for policies that expand the use of commercially-available clean energy technologies, products and services. The coalition's diverse business membership is united around the revitalization of the economy and the creation of a secure and reliable energy future for America. BCSE includes a number of members in the State of California, including regulated entities which are subject to the requirements of the State's greenhouse gas emission reduction program (AB32); greenhouse gas emission reduction offset providers; and offset verifiers. The Council and its members have participated in the development of AB32 since its inception. A document about BCSE, as well as a document about the Council's recently-released *Sustainable Energy in America Factbook 2013*, is attached for your reference.

The Council has long supported enactment of comprehensive and market-based climate change and energy legislation and commends the State of California for its bold efforts to move forward with implementation of the landmark AB32 law. BCSE believes a key feature of any program should be the ability for entities to generate and purchase offset credits, which is included in the AB32 regulations. While the Council encourages covered entities to undertake activities to reduce emissions, such as deploying renewable energy and energy efficiency, to the greatest extent possible, our members recognize offset purchases as an important complementary tool to help covered entities manage compliance costs, widen the scope of environmental benefits and lower economic costs for energy consumers.

SB605, as passed out of the California State Senate, would limit - to the maximum extent feasible - greenhouse gas emission reduction offsets to those in the state of California. This limitation may provide some benefits within California in some circumstances, but the proposal would also likely increase the overall cost of compliance of the Cap-and-Trade Program for all Californians. It should be noted that offset supply under the current program is not expected to meet demand, which is already weakening the ability of offsets to contain compliance costs. Further constraining offset supply by focusing on in-state projects would only exacerbate this issue. This may result in a price increase for offset credits and significantly raise the cost of compliance.

The protocols for offset projects that have been approved by the state of California -- in forestry, urban forestry, livestock, and ozone depleting substances, as well as those pending approval in rice cultivation and mine methane capture – will provide environmental benefits, create new economic opportunities and spur innovation, as well as serve as an important cost containment tool. BCSE believes further protocols will need to be developed to ensure an adequate supply.

We appreciate your consideration of the Council's views on SB605. Please feel free to contact me in the Council's offices with any comments or questions or if you would like to meet with the Council or its members to discuss our position on the legislation.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lisa Jacobson".

Lisa Jacobson, President

Attachments (3)

CC: Members of the California State Assembly Natural Resources Committee