



January 13, 2010

Ms. Janice Adair  
Chairwoman - Complimentary Policies Committee  
Western Climate Initiative

Ms. Adair:

First, may we take this opportunity to thank you for your service and excellent work in continuing to bring the aims of the Western Climate Initiative to fruition. It is an exciting and vital program and has been well-served by the members and representatives who have worked so hard over the last two years to make the WCI GHG emissions cap-and-trade program a reality.

My name is Aaron Singer - I am CEO and Co-Founder of the Pacific Carbon Exchange, California and the western regions first environmental commodities exchange serving AB32 and the Western Climate Initiative. We would like to submit these brief comments to you in your capacity as Chair of the WCI Complimentary Policies Committee. We would like to propose that the WCI consider the implementation of a WCI-wide Renewable Portfolio Standard that would be addressable through both supply-side renewable energy and demand-side energy efficiency tradable credits markets:

- *Renewable Portfolio Standard (RPS)* - The nation-leading RPSs in California, Washington, Oregon, Nevada, Montana, Colorado, Arizona, and New Mexico should be expanded to promote the creation of a WCI-wide harmonized RPS with a single market for tradable renewable energy credits (RECs) and tradable energy efficiency credits (EECs). Electricity generators will require as many tools as necessary to help them successfully address RPS obligations in the western region through renewable energy sources. We strongly support the creation of tradable RECs and EECs (see below) markets in CA and the WCI to compliment carbon cap-and-trade markets in the region.
- *Renewable Energy Credits (RECs)* - Though several states in the western region maintain renewable portfolio standards with limited provisions for renewable energy credits, there are no states in the West that have yet to implement true, unbundled, tradable REC markets. Unbundled, tradable RECs policies are a critical tool for utilities to address demanding RPSs, in conjunction with energy efficiency policies, as well. A WCI-wide unbundled, tradable RECs market will also be critical to unleashing the huge wave of investment that will be required to finance renewable energy projects here in the West. RECs markets, in concert with energy efficiency credits markets will attack GHG emissions from both sides of the equation - supply-



side energy generation and demand-side energy efficiency. Unbundled RECs markets will also help create hundreds of thousands of green jobs in manufacturing and renewables construction and installation throughout the western region and help us to maintain our role as national cleantech/renewables industry leaders and innovators.

- *Energy Efficiency Markets* – It has been widely acknowledged that hitting the target CA RPS of 33% by 2020 will be difficult to achieve through renewables generation alone. The Pacific Carbon Exchange has been working toward the creation of an Energy Efficiency Credit (EEC) market in California, a sister credit to the REC, which would be applicable to the expanded California RPS. This EEC credits system would allow utilities to meet part of their RPS obligations by purchasing EECs earned by building owner/operators, developers and buildings service providers through their investment in building energy efficiency technologies. By lowering energy consumption in buildings below a given baseline determined by building energy consumption models for new construction and major retrofits, owner/operators can earn EECs (one EEC = 1 Mwh saved). Utilities will have the opportunity to purchase these credits, as they do renewable energy credits (RECs), and apply them against the expanded RPS. We would like to propose that a WCI-wide energy-efficiency market program we implemented to complement a WCI renewable energy credits market and a WCI-wide RPS.

The Pacific Carbon Exchange would like to recommend these three complimentary policies be considered for the WCI. A WCI-wide renewable portfolio standard with tradable RECs and EECs markets will create hundreds of thousands of green construction jobs in the moribund construction industry in the West, dramatically increase investment in renewables, and reduce GHG emissions by as much as 30-40% in some building sectors. These policies will be applicable nationwide and make California and the western region a clear leader and model for GHG emissions reductions policy. We thank you for your hard work on the Western Climate Initiative and for the opportunity to comment on this historic policy initiative. We stand ready to provide as much additional information as may be required to present these initiatives to the WCI Partners.

With best regards,

A handwritten signature in black ink, appearing to read "AS", with a large, stylized flourish at the end.

Aaron Singer  
Chairman & CEO  
Pacific Carbon Exchange