



Wind energy is a source of clean energy that will meet the requirements of California's landmark greenhouse gas performance standard law, SB 1368.

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California Takes on Power Plant Emissions:

SB 1368 Sets Groundbreaking Greenhouse Gas Performance Standard

First California tackled global warming by enacting landmark legislation promoting energy efficiency and renewable energy. Now, the Golden State is ensuring a clean energy future by adopting the world's first greenhouse gas emissions performance standard for power plant investments. Senate Bill (SB) 1368 (Perata), sponsored by NRDC and enacted in September 2006, requires that any new long-term financial investment in "baseload" generation resources—those workhorse power plants that supply electricity around the clock—made on behalf of California customers must be in clean energy sources.

Investing Now for the Future of California

California's utilities are planning to invest billions of dollars in energy generation over the next few years. Depending on how those investments are made, they could generate electricity and greenhouse gas (GHG) emissions for 30 years or more, contributing to global warming and the associated impacts on our economy, environment, and public health. These impacts are even more significant in light of the statewide limit on California's global warming pollution, to reduce GHG emissions to 1990 levels by 2020, mandated by Assembly Bill 32 (known as AB 32, or the Global Warming Solutions Act of 2006).

Because of their higher emissions, conventional coal-fired power plants present the most serious financial risk in the face of mandatory limits on global warming pollution. For example, a new conventional coal plant will emit more than twice as much global warming pollution as a new natural gas plant. A 500 MW conventional coal plant's emissions would result in approximately \$50 million per year in cost exposure for a utility and its customers, assuming that carbon dioxide emissions cost a very conservative \$12 per ton.

The GHG performance standard established by SB 1368 will help the state to meet its GHG reduction targets under AB 32 while protecting



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California consumers from the significant financial and reliability risks of high GHG-emitting energy sources. SB 1368 provides immediate guidance for the utilities' long-term investments and sends a clear market signal that California will only provide long-term financial support for technologies that are consistent with a clean energy future.

SB 1368 Promotes Clean Energy for California Consumers

The GHG performance standard:

- Applies to any entity that provides electricity to California customers (i.e., investor owned utility, municipal utility, energy service provider, or community choice aggregator).
- Requires all "baseload" generation resources seeking new long-term California investments of five or more years to meet a GHG performance standard (these are the power plants designed to operate continuously for most of the year). These investments include commitments to both contracts for and ownership of baseload generation resources.
- The standard is set at a level of GHG emissions equal to those of a combined-cycle natural gas plant on a per megawatt-hour basis (1,100 lbs. CO₂/MWh).

Moreover, the standard is technology- and fuel- neutral, and applies equally to facilities both in- and out-of-state. California currently imports almost a third of its electricity from neighboring states, much of which comes from conventional coal-fired power plants, and several additional planned coal-fired plants throughout the West originally aimed to sell their power to California to meet its growing demand for electricity. While new investments in conventional coal-fired power plants will not meet the standard, coal plants using advanced technologies that safely capture and sufficiently dispose of their emissions will meet the standard. And no facilities are exempt from the standard. If the same proposed long-term contract covers multiple generation facilities, each facility must independently meet the standard without averaging or offsets.

Importantly, the law also ensures that the standard will in no way have negative impacts on the reliability of the energy services that California customers receive.

Enforcing the Emissions Standard

The CPUC and CEC share responsibility for implementing and enforcing SB 1368. The CEC has jurisdiction over municipal utilities, while the CPUC regulates all other entities that supply electricity to customers in the state.

In accordance with the law, the standard set by CPUC and CEC regulations are consistent, so that all power that serves California customers meets the same requirement, regardless of which entity supplies it.

SB 1368 Has Far-Reaching Effects

California's groundbreaking power plant emissions standard has already inspired other western states to follow its lead. In May 2007, Washington State enacted a GHG performance standard (SB 6001) modeled after SB 1368. Montana's similar constraints on regulatory approval of long-term generation investments in coal-fired power plants (HR 45) followed soon after. Oregon has introduced a similar bill, and other western states are considering following suit.

SB 1368 is already sending a clear market signal to power plant developers throughout the west that low GHG-emitting generating technologies are the future of California energy. Even governors of coal-producing western states, such as Montana and Wyoming, have indicated their commitment to comply with the standard if they sell power to California. Governor Freudenthal of Wyoming declared, "If California wants green electrons, we'll make them green."

Other states looking to reduce the global warming pollution of their energy resources should first pursue policies to promote all cost-effective energy efficiency, followed by renewable energy technologies. To address the global warming pollution of fossil-fueled energy resources, states should also consider adopting a GHG performance standard for new financial commitments to baseload power, assigning a dollar amount to greenhouse gas emissions of generation resources to reflect their financial risk, or limiting overall greenhouse gas emissions.

The SB 1368 Victory Timeline

Oct/Nov 2005:

The GHG performance standard is first introduced as a state policy by the California Energy Commission (CEC) in its 2005 *Integrated Energy Policy Report* and the California Public Utilities Commission (CPUC) in a policy statement.

April 2006:

The CPUC begins the process of establishing a GHG performance standard for the state's investor-owned utilities and other retail electricity providers.

Sept 2006:

SB 1368 is signed into law, codifying the standard on a statewide basis.

Jan 2007:

The CPUC adopts SB 1368 implementing rules and begins enforcing the standard for state's investor-owned utilities and other electricity service providers.

Aug 2007:

The CEC adopts consistent regulations for implementing and enforcing SB 1368 for the state's publicly-owned utilities.

