

July 12, 2017

The Honorable Bob Wieckowski, Chair
Senate Committee on Environmental Quality
State Capitol, Room 2205
Sacramento, CA 95814

Re: AB 398 (E. Garcia): As Introduced July 10 – SUPPORT

Dear Chairman Wieckowski:

Southern California Edison (SCE) supports AB 398, which continues California's successful cap-and-trade program that has been instrumental in helping California achieve real, verifiable greenhouse gas (GHG) emissions reductions in a cost effective manner. SCE will continue to be a supportive partner with the Governor, the Legislature, the California Air Resources Board (CARB), the California Public Utilities Commission and other key stakeholders to achieve California's ambitious GHG emissions reduction goals. SCE agrees that California should maintain its progress in lowering electric sector GHG emissions, as demonstrated through SCE's support of SB 32 (Pavley, Chapter 249, Statutes of 2016), which requires a 40 percent reduction of GHG emissions below 1990 levels by 2030 and SB 350 (De León, Chapter 547, Statutes of 2016), which created a 50 percent Renewables Portfolio Standard (RPS) by 2030, doubled energy efficiency requirements by 2030, and established a new utility role for accelerating transportation electrification. All are key elements to achieve the 2030 GHG emissions reduction goal, and all will be enhanced by a well-designed market mechanism that establishes a clear price on greenhouse gases.

A well-designed cap-and-trade program is necessary to meet California's climate goals in the most cost-effective manner. AB 398 achieves a fair balance, protecting California's economy and consumers by enhancing the cap-and-trade program's cost-containment features, while preserving the environmental integrity of the program. The bill also demonstrates California's continued global leadership on climate change, while improving environmental and economic conditions for Californians here at home.

AB 398 will protect electricity customers from dramatic bill increases, by continuing existing consumer cost protections in the cap-and-trade program. The electric sector has and will continue to play an integral role in California's efforts to reduce GHG emissions. Since the inception of the cap-and-trade program, utilities such as SCE have received allowances, and the value of these allowances is required to flow back to our business and residential customers. Residential customers receive this value as the twice-a-year "California Climate Credit." This direct, on-bill rebate has been of great assistance to utility customers who, in comparison to other economic sectors, have shouldered a substantial portion of the financial burden of California's clean energy policies. Additionally, this proposal preserves a continued role for offsets. SCE has long supported offsets as a critical cost containment mechanism. AB 398 continues this important market design feature, while emphasizing the need for direct environmental benefits in California. We applaud the Legislature for preserving these critical consumer protections for our customers.

AB 398 preserves California's role as a global leader in the fight against climate change. California produces one percent of the world's greenhouse gases, so it cannot solve global climate change on its own. However, California serves as an important role model for other states and nations, demonstrating that it is possible to set ambitious climate goals and accomplish them with a positive impact on the economy and public health.

California's cap-and-trade program is the most comprehensive carbon market in the world. It has created billions of dollars in investments for pollution reduction in California communities and garnered intense international attention. Because of its success, California has been attracting more partners, such as Quebec and Ontario, with a host of other linkages in the works. AB 398 would continue current linkages and position the state to link with other jurisdictions in the future, which will bring down costs and improve the market's performance.

Cap-and-trade and air quality programs can work side-by-side. In addition to AB 398, SCE is pleased that a related proposal (AB 617) complements the extension of our state's cap-and-trade program by improving local air quality outcomes in affected communities. While California is a leader in addressing global climate change, we also need to focus on localized pollutants here at home. AB 617 is consistent with SCE's continued calls to target these challenges with focused policy solutions that will effectively drive toward their independent objectives. SCE supports the passage of both bills and seeks to partner with the state and our customers to improve air quality through expanded transportation electrification fueled by California's increasingly clean supply of renewable and other non-emitting resources.

SCE believes that the State should pursue GHG emissions reduction opportunities across all sectors, at the lowest cost to customers and the economy. A well-designed cap-and-trade program, via passage of AB 398, will ensure that outcome. For all of the reasons stated above, SCE supports AB 398 and respectfully asks for your "AYE" vote.

Sincerely,



Darren Bouton
Director of State Public Affairs

cc: Assembly Member Eduardo Garcia
Senator Jeff Stone, Vice Chair, Senate Committee on Environmental Quality
Honorable Members, Senate Committee on Environmental Quality
Committee Consultant, Senate Committee on Environmental Quality
Consultant, Senate Republican Caucus
Dan Reeves, Chief of Staff, Office of Senate President pro Tempore
Carrie Cornwell, Chief of Staff, Office of the Speaker of the Assembly
Camille Wagner, Legislative Secretary, Office of Governor Edmund G. Brown