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# PG&E's Approach to Offsets

**Carbon Offsets and the Urban Forest**

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# Pacific Gas and Electric Company (PG&E)



## A regulated investor-owned utility

<b>Electric accounts:</b>	<b>5.2 million</b>
<b>Natural Gas accounts:</b>	<b>4.3 million</b>
<b>Employees:</b>	<b>20,000 employees</b>
<b>Service Area:</b>	<b>70,000 square miles</b>
<b>Electric T&amp;D:</b>	<b>160,000 miles</b>
<b>Gas T&amp;D:</b>	<b>49,000 miles</b>
<b>Electricity Procured:</b>	<b>77.5 TWh</b>
<b>Natural Gas Throughput:</b>	<b>842,343 MMcf</b>
<b>Peak demand:</b>	<b>20,000 MW</b>



# PG&E's Actions Associated with Climate Change Policy <sup>3</sup>

- One of first utilities in the United States to call for mandatory national legislation
- Founding member of U.S. Climate Action Partnership
- First investor-owned utility to support enactment of California's Global Warming Solution Act, Assembly Bill (AB) 32
  - Requires California to return economy wide GHG emissions to 1990 levels by 2020
- Joined coalition in opposition to California Proposition 23, initiative to suspend AB 32
- Offered first-of-its-kind ClimateSmart™ program which contracted for 1.36 million MT of voluntary carbon offsets



# PG&E's Perspective on Offsets

- PG&E believes that the use of high quality offsets is an effective cost containment tool and an essential part of a successful cap-and-trade program.
- Multiple studies have shown that the costs of the cap-and-trade program are much higher without a robust supply of high quality offsets.
  - **ARB:** allowance prices are forecasted to reach as high as \$148 per metric ton in 2020 without offsets, as compared to \$25 per metric ton in 2020 with offsets
  - **EDF:** Costs faced by regulated entities increase by \$241 billion through 2020 if offsets are eliminated from the cap-and-trade program



# PG&E's Experience with Urban Forestry

- PG&E's ClimateSmart program
  - Funded development of the Urban Forest Protocol
  - Solicited urban forest projects through three competitive solicitations
    - Few bids received
    - Volume was small
    - Cost was high
- PG&E also offers guidance on tree planting including information on:
  - Best species to plant
  - Location to achieve maximum energy benefits
- PG&E conducted three pilot shade tree programs in 2008-2009



# CPUC Decision on GHG Product Procurement

- On April 24, the CPUC issued Decision 12-04-046 which contains requirements for IOU procurement of GHG products
- Only use offsets verified under ARB approved protocols
  - May buy issued or forward offsets. Payment for forward offsets must be after verification and delivery
- Sellers must contractually assume invalidation risk
- All offsets must be purchased:
  - Through a competitive Request for Offer
  - On a CPUC-approved exchange