

**Written Statement of
Honorable Linda Adams
Secretary
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on
S. 1733 “The Clean Energy Jobs and American Power Act”
before the
Committee on Environment and Public Works
U.S. Senate
October 29, 2009**

Chairman Boxer and Members of the Committee,

Thank you for inviting me to testify before your committee today. California has a long history of environmental leadership. When Governor Schwarzenegger appointed me as Secretary for Environmental Protection and charged me as his chief negotiator on California’s Global Warming Solutions Act of 2006, he sent a strong signal that he wanted California’s leadership to extend to combating climate change. Governor Schwarzenegger has been one of the nation’s strongest voices for federal climate policy. We look forward to working with you to pass effective climate change and clean energy legislation during this Congress.

I want to commend the Environment and Public Works Committee for considering this critical legislation to address the urgent threat of climate change and set the United States on a path to a sustainable clean energy future.

Combating climate change is no small task and will require strong political leadership. I am thankful to Chairman Boxer and Senator Kerry for their leadership in introducing the Clean Energy Jobs and American Power Act. I would like to discuss how my State is working to

promote clean energy and combat climate change. I believe we can provide some on-the-ground experiences that may be useful in the development of our nation's energy and climate strategy.

In California we recognize the threat of climate change to our environment and our economy. Continued global warming will harm Californian's health by exacerbating air pollution, intensifying heat waves, and expanding the range of infectious diseases. Our State is largely dependent on snowpack to supply water during the spring and summer months, and we may lose up to 90 percent of that snowpack in the next 75-100 years. Our \$30 billion agriculture industry, which employs more than one million workers, relies on water from the snowpack to irrigate crops and care for livestock. Our 1,200 miles of coastline are threatened by sea level rise. Forestlands cover 45 percent of our state and our scientists tell us that the risk of large wildfires could increase by 55 percent. We can expect more intense fires and a fire season that starts earlier.

Action to prevent the threat of global warming – particularly the transition to sustainable clean energy – has great potential to spur the development of new technologies and encourage more efficient production practices. California has experienced tremendous economic success with the implementation of cutting-edge environmental and clean energy policies.

We know first hand that the status quo is harmful to our economy and puts us at a disadvantage as the world begins this transition to a more sustainable low-carbon economy. We have seen the economic consequences of our dependence on foreign oil, as the price of oil whipsawed between \$40 and \$140 a barrel over the past two years and played a central role in our current recession.

Dependence on a single commodity under the control of unfriendly suppliers will never lead to economic security. Such security arises only when consumers have a choice. A national climate policy will help us win our energy independence, grow a green economy and combat climate change.

More than three decades ago, California launched its energy efficiency effort through the use of technically feasible and cost-effective performance standards. We faced industry resistance as we implemented new policies. For example, refrigerator makers claimed new efficiency performance standards would severely limit consumer choice and raise prices. Instead, consumer choice and amenities increased, energy consumption per unit dropped 75%, and real prices fell nearly 50%. Relative to a 1974 model, the energy savings from these standards translate to an avoided 200 billion kWh per year and have saved Californian's roughly \$15 billion money. That \$15 billion is reinvested back into the California economy.

As each of you and every American are aware, the nation is in the grips of the worst recession in decades. California knows this all too well – as the eighth largest economy in the world, we are feeling the effects of this global recession particularly acutely. We believe that in this economy, some of the brightest points of hope are provided by green industry sectors, where energy efficiency and clean energy technologies are flourishing.

Last year alone, venture capital investment in California clean technology companies was \$3.3 billion, five times greater than the second-place state. We garnered more than 60% of the nation's clean-tech investments. And from 2002 to 2007, California led all states in patent

registrations for green technologies, with a 70% increase over the previous five-year period. California generates 68% more gross state product for every unit of energy as compared to the rest of the nation. By leading the way, we can capitalize on the demand for energy efficiency technologies and new energy products that make up a fast-growing part of the \$6 trillion international energy market.

There are many examples of California companies taking advantage of this enormous clean energy market. Recently, Exxon-Mobil entered into a \$600-million partnership with a La Jolla, California biotech company to develop fuels from algae. Over the past 5 years, California universities have been awarded nearly \$1 billion to research low-carbon fuels and renewable energy technologies. A Bay Area company recently was awarded a \$450 million energy efficiency contract with an East Coast utility. And the federal government just loaned more than \$500 million to Irvine, California-based Fisker Automotive to rehabilitate a GM auto plant to build electric cars.

These are just some of the benefits that accrue when a State pursues cutting edge environmental policy and is friendly to innovative clean technology businesses. This kind of dramatic economic opportunity awaits every state as we transition to a clean energy economy. The consulting firm, McKinsey and Company, estimates that Americans can earn a direct return of \$1.2 trillion on an investment of \$520 billion in energy efficient buildings, and businesses, over the next 10 years. The money that is invested in energy efficiency multiplies throughout the economy, growing the GDP. Each dollar saved for an American because of energy efficiency is a dollar most often spent on goods and services within the United States.

The demand for renewable and low-carbon energy, energy efficiency technologies, and sequestration technologies is likely to create significant growth industries in the coming decade. The United States is already lagging behind other countries in the early stages of developing these industries. The country that invented the solar panel almost ceded the design and manufacture of technology to the Germans, the Japanese, and the Chinese. Stalwart American companies, valiant efforts in State policies, and recent investments preserve great hope for U.S. renewable industry, but industry and independent observers agree that it is critical that the federal government abandon its ad-hoc boom-and-bust energy policies and embrace stable long-term policy.

California and other leadership states have demonstrated that there is an essential role of states in a federal energy and climate policy. States are the laboratories for innovation. We are often able to go further than the national government at great benefit to our economies. California welcomes the opportunity to have a voice in this national debate.

The proposed Kerry-Boxer legislation contains many of the elements that we have embraced in California and that we have found are essential to a successful clean energy climate strategy. I would like to discuss the specifics:

Ambitious greenhouse gas targets including a cap-and-trade program: California joins the international community in calling for decisive action from the United States. Our country has contributed an overwhelming share of climate change emissions that threatens us today. I support

the emission reduction goals spelled out in the Kerry-Boxer legislation. These goals are consistent with where science tells us we will need to be to avoid catastrophic climate change.

Climate change is a complex, global problem. An economy-wide cap-and-trade program is a key component to ensuring the United States meets its overall reduction targets while providing businesses individual flexibility to explore creative and cost-effective ways to reduce emissions. A cap-and-trade program that can link with other cap-and-trade programs throughout the world, will provide greater emission reductions and lower costs.

Mix of measures: Combating climate change will require a mix of market-based and standards-based policies that complement one another. Clean energy policies such as energy efficiency standards, a low-carbon fuels standard, and greenhouse gas standards for vehicles, are complementary to cap-and-trade. Such policies help to overcome market barriers, accelerate low-carbon and sustainable technologies, and minimize cost impacts.

The Kerry-Boxer legislation embraces this mixed approach. By investing in technologies like renewable energy, carbon capture and storage, and advanced low-carbon fuels and vehicles, the Kerry-Boxer legislation hastens the day when low-carbon energy is as cheap as the fossil fuel supply of today. The Kerry-Boxer legislation's programs to increase building efficiency standards will save money for consumers and businesses across the country.

Traditional environmental law backstop. The Clean Air Act is a complementary regulatory structure to the comprehensive program outlined in the Kerry-Boxer legislation. With a few

simple changes, this hugely successful and adaptable bedrock of American environmental policy can successfully be applied to greenhouse gases. The Clean Air Act should retain its authority to address major new sources of emissions as a critical component of a comprehensive system. Major greenhouse gas emission sources often entail long-term capital investments, and building new plants with old technology can “lock-in” high emissions for decades to come. It is important that the U.S. EPA be empowered to review the technology proposed for new major pollution sources to ensure its long term cost effectiveness for consumers.

Reporting: California is a founding member of The Climate Registry, one of 41 states, 13 Canadian provinces and 6 states in Mexico that have joined together to create an effective and efficient system to measure and report greenhouse gas emissions. I appreciate that the Kerry-Boxer legislation specifically calls out The Climate Registry and requires that U.S. EPA build on our model. I believe the legislation should also mandate, as is required of members of The Climate Registry and by California's mandatory reporting program, that companies' greenhouse gas reporting be verified by neutral third-parties. Third party verification conforms with emerging international standards for reporting systems that support cap and trade programs. In analogy to third party audits of financial reports, it leads to more accuracy in reporting. In contrast with other pollutants monitoring systems, there will a large number of diverse sources reporting GHG emissions, which will make direct verification by a government entity burdensome and difficult.

The Role of the States. States are on the front lines of promoting clean energy and combating climate change. For years, well-crafted state policy, adapted to local conditions has been the

most dynamic driver of clean energy technology as a key component of our economic development strategy – from biofuel standards to renewable electricity standards; from E85 in Minnesota to the wind turbines of West Texas. In California, we are committed to programs including 33% renewable electricity generation, a 10% reduction in greenhouse gas emissions from transportation fuels, and preserving the carbon sequestration potential of our state forests and agricultural lands. California and other states have taken the initiative to become leaders in combating climate change and transitioning to a sustainable low-carbon economy. Without state authority to address climate change, we would not have made the significant advances we have made in combating climate change including: greenhouse gas vehicle emission standards that were recently adopted by the Obama administration; energy efficiency standards that have saved our citizens money and driven technological innovation; and a low-carbon fuel standard is a model for other states and the international community. State authority to implement clean energy and climate policy must not be abridged.

Transportation. I would like to call specific attention to the Kerry-Boxer legislation's comprehensive approach to transportation. Transportation accounts for more than 30% of national greenhouse gas emissions. California has vast experience with reducing emissions from the transportation sector. We advocate a multi-pronged strategy to address the transportation sector, reducing emissions associated with vehicles, fuels, and increasing transportation demand, and we applaud the Kerry-Boxer legislation for following this path.

The groundbreaking Section 112/831, transportation efficiency provisions, build upon California's SB 375 program to help local communities make planning decisions that can

simultaneously address transportation, housing, economic development, and environmental outcomes.

State and local investment. I appreciate the difficulties associated with returning the value generated by allowances to the economy in the most efficient and equitable way. As Governor Schwarzenegger has highlighted several times, we support three basic ways to use emission allowance value: mitigation of costs to consumers and business, investment in low-carbon technologies and efficiency, and preparation for the unavoidable impacts of climate change. I am glad to say that the Kerry-Boxer legislation largely embraces these principles. States are on the forefront of implementing the policies needed to ensure the success of these principles in the Kerry-Boxer legislation.

In California, we have assembled some of the world's preeminent economists, business leaders, and climate experts to advise our Air Resources Board on the allocation of emission allowance value. While the conclusions of the Economic and Allocation Advisory Committee are not yet available, we hope to continue to work with you and provide input based on the advice of our expert advisory committee.

Incentivizing clean energy and efficiency. I appreciate the fact that the Kerry-Boxer legislation, like the Waxman-Markey legislation, abides by the compromise formula for allocation to Local Distribution Companies agreed to by a wide variety of industry and stakeholder groups. The balanced emissions and sales formula is fair to every region of the country as it strikes a careful balance between mitigating consumers' costs today and

incentivizing the clean technologies of tomorrow. Californians have historically invested in clean energy and energy efficiency, resulting in reduced household costs for energy despite relatively high per-unit electricity prices. Our ratepayers should not be penalized by an emissions-based system that rewards dirtier, cheaper energy.

Offset integrity. Offsets that are real, measurable, additional, verifiable, permanent, and enforceable offer an opportunity to reduce the overall costs of achieving our climate goals while realizing cost-effective reductions from sources not covered by the cap and trade program. In California, we have been ardent supporters of land-based offsets from farms and forests to provide real greenhouse gas benefits while at the same time reinvigorating rural communities.

California has been on the leading edge of ensuring the credibility of offsets, working closely with the Climate Action Reserve to establish stringent offset protocols. We recognize that impeccable offset integrity is a cornerstone prerequisite of any successful offset program. Substandard offsets have the potential to undermine the entire market, coloring all participants with the same brush, and ultimately making the system unusable for its intended purpose and of little value to sellers and buyers alike. We support the strengthened offset process outlined in the Kerry-Boxer legislation, and call for even firmer definition to the criteria of additionality, as well as greater oversight power for the offset integrity board.

International cooperation. I appreciate the Kerry-Boxer legislation's emphasis on engaging solutions from the international community. The Reduced Deforestation and Clean Technology Transfer provisions are particularly welcome as they build the capacity in developing nations. In

particular, they will ensure that developing nations preserve the immense standing stores of carbon in forests and rely on the sustainable technology already available in developed nations. Additional support is necessary for adaptation assistance to ensure that the unavoidable impacts of climate change do not lead to destabilization of foreign governments and societies, and do not cause massive moral and national security crises for our country.

Adaptation. The federal government must be responsible for and must invest in the basic science and applications that will accurately assess the impacts of climate change. These impacts are, by their nature, regionally and geographically distinct. Additionally, it must develop and disseminate the decision tools that State and local jurisdictions require to adequately plan and prepare these impacts. The federal government can also assist State and local government with resources to protect and buttress critical infrastructure, promote ecological resilience, and address public health threats. Scientific and analytical support for local and regional impact studies should be front-loaded to provide a strong foundation for future policy decisions. Additional material aid to State and local governments should be significant in magnitude, consistent in its availability, and dynamic enough to respond to evolving threats.

In California, our current 3 year of drought is a precursor for the impacts that we may expect in the future. Water is the lifeblood of our economy, and we must begin planning and preparing now for a world with reduced water availability. The Kerry-Boxer legislation's specific provisions for activities to increase adaptation and resilience to changes in water availability are, therefore, particularly welcome.

Lastly, I have the honor to serve as an ambassador for Oxfam America's Sisters on the Planet program, which highlights the impact of climate change on the world's most vulnerable people - especially women. I encourage you to adequately address in this bill the consequences of climate change for those with the least capacity to adapt to severe weather events and water scarcity. Resources to help women and other vulnerable communities build their resilience must be an integral part of our climate solution.

Madame Chairman, members of the Committee, now is the time for action. It is time to forge the framework for energy independence and plant the seeds for our green energy future. In 2005, Governor Schwarzenegger set California on a path toward more renewable energy, cleaner cars on the road, and more efficient appliances and buildings. A similar choice faces the United States and this body now. I urge you to vote to free the U.S. from its addiction to foreign oil, unleash American ingenuity and be a leader in the 21st century global economy. Choosing this course will require courage and leadership to be sure, but I believe, the people of California believe, and a majority of this nation believes, it is the only responsible choice you can make.