

California's AB32: An Opportunity for Utilities

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Energy efficiency offers a unique element for the emerging cap and trade system: it is significantly more reliable and less controversial than carbon market offsets. By directly and permanently eliminating emissions, efficiency also has more value than an offset. While adding local jobs, utility efficiency investments could be more highly credited than offsets when accounting for power-generating emissions.

I propose the following elements for a program that captures the full potential of buildings:

- Energy performance scores used to connect standards to emission goals, while eliminating the pre-construction audit process, checklist regulations, and post-construction energy reporting
- Increasingly higher incentives for increasingly higher performance
- Financial incentives connected to building permit applications
- Incentives provided as a loan (rather than a grant) repaid over many years through the building's energy bill
- Utilities given responsibility to finance demand reduction through efficiency matched with their responsibility to meet demand through energy supply
- Account for the full value of efficiency investments when accounting for power-generating emissions
- Energy rates increased as needed to maintain conservation investment capability and further motivate energy retrofits
- Investment capital expanded through the use of emission auction revenue
- Investment capital expanded by marketing efficiency as the highest quality offset under "Criteria for Offset Credits", per recent CA Legislative Analyst's Office publication, *Evaluating the Policy Trade-offs in ARB's Cap-and-Trade Program* (p.19)
- An aggressive promotion program for retrofit incentives

The labor, materials and technology are available today, to create countless jobs through energy conservation. With technical and political issues surrounding low carbon power, fuel and vehicle options, emission reduction projections from these sources remain speculative. In contrast, building efficiency is an unmatched opportunity to move directly toward meeting AB32 goals.

Without dependence on tax dollars, private sector efficiency program can capture an untapped economic resource, profoundly reduce carbon, and provide time for low carbon energy to gain a larger share of the market. At the proposed scale, technical improvements will drive efficiency costs down, and naturally flow from retrofits into new construction. We get all this by simply letting buildings be all they can be.