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EDITORIAL

California powers ahead on green energy

If Washington won't, California will. In Congress, political paralysis is stalling energy and climate change policy, but Sacramento last week adopted a far-reaching plan to wean the state off fossil fuels and push for more clean-and-green sources of power.

For several years, the Legislature has debated a requirement that energy producers such as major utilities increase the amount of wind, solar and other renewable sources from 20 to 33 percent of their output.

Part of the problem was practical: How can a huge, industrial state depend on infant technologies and untried ideas? Other objections circled around finances, consumer protections, deadlines and where new jobs might go. Much of the same arguing could be heard in Washington, where ideology deepened and yielded gridlock on national energy policies.

After several false starts, California lawmakers have finally shaped an answer, one that should set a high standard for states that regularly borrow made-in-California ideas on tailpipe emissions, clean fuels and energy-efficiency standards. Maybe Washington will get the message, too.

A bill by state Sen. Joe Simitian, a Palo Alto Democrat, decrees the 33 percent renewable share by 2020. It provides surety for a financial market and investors wondering if the state is serious or just all talk about green technology. It's an echo of voter sentiment last fall that rejected a repeal of greenhouse gas laws and provides further reassurance about the state's support for innovation on energy.

It comes with a degree of ratepayer insurance by giving the state Public Utilities Commission the power to cap future rates if the costs of switching to renewables run high. That's an important guarantee for consumer groups concerned about rising energy bills.

It also recognizes the uncertainty of the power market by allowing utilities an escape hatch if energy supplies run short, plants can't be built on time or transmission lines aren't ready. Out-of-state green energy — a debate point in prior fights — will be allowed but then gradually tapered down to create jobs and infrastructure here as the 2020 deadline approaches. This approach satisfied labor groups who wanted to make sure the green jobs — as many as 100,000 jobs, according to proponents — will be created in California.

A further blessing was the lopsided 55-19 vote in the Assembly, which passed the measure after earlier approval in the Senate. Simitian suggested that while green power is an easy sell in Democratic strongholds along coastal California, the idea also has traction in more conservative central parts of the state where wind farms and solar arrays likely will blossom. Other sources for the clean power will be geothermal, found up and down California, and "small hydro," mini-dams on small rivers.

The measure moves California forward from an already advanced position. The state is now reaching its first goal of 20 percent renewable power with most utilities close to the number. Former Gov. Arnold Schwarzenegger, generally a supporter of green energy, had balked at an earlier bill setting the 33 percent level because of doubts about several provisions. Last-minute efforts to load the prior renewable plan with special-interest features further muddied its appeal.

Instead, Schwarzenegger signed an executive order two years ago setting the higher number. Good as that was, it left open the chance a future governor could revoke the plan. Hence Simitian's decision to go for a legislative answer that was unambiguous.

The next step lies with Gov. Jerry Brown. Given his past pledges and campaign promises, he's expected to sign the measure. That would be the right way to put California in the lead on clean energy. Washington, please take note.

THE WALL STREET JOURNAL.

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California to Jolt Renewable Energy

BY VAUHINI VARA
AND REBECCA SMITH

California Gov. Jerry Brown signed legislation Tuesday requiring the state's utilities to obtain a third of their electricity from renewable sources such as wind, solar and geothermal power by 2020, among the most ambitious such laws in the nation.

Mr. Brown, a Democrat, said the measure would stimulate clean-technology investment, create jobs, improve air quality, promote energy independence and reduce greenhouse-gas emissions. He also said he would like to see the state "pursue even more far-reaching targets."

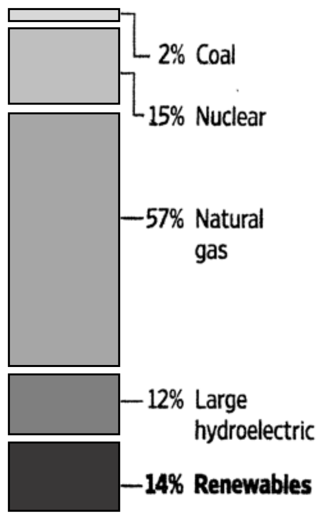
California's three largest investor-owned utilities failed to achieve an earlier state target to garner 20% of their electricity from renewable sources by the end of 2010, hitting 18% instead, according to the California Public Utilities Commission.

The utilities avoided penalties because they had made a good faith effort. They entered into contracts to buy a sufficient quantity of green-generated electricity from independent suppliers but the suppliers couldn't generate enough power.

Two of the three biggest utilities said they backed the new law. The third, Pacific Gas & Electric Co., opposed the measure over restrictions on where utilities can obtain power, among other concerns.

Power Profile

California's electricity generation in 2009



Source: California Energy Commission

Aaron Johnson, PG&E's director of renewable-energy policy, said the utility would "work within the rules" of the new law, despite concerns it could lead to higher energy prices.

Utilities won't be required to reach goals set by the new law no matter what the cost, said Democratic state Sen. Joe Simitian, who sponsored the measure. Utilities may be granted exemptions if renewable-energy prices, or the difficulty of moving it to the state's grid, make costs excessive.

Consumer advocates endorsed the bill in part because of those exemptions, but they worried about the cost of obtaining so much renewable energy, especially when natural gas, a rival power source, is so inexpensive.

Under the old law, utilities signed power contracts that were $6 billion above market prices, according to an analysis by consumer advocates at the California Public Utilities Commission. About 59% of renewable-energy contracts exceeded market prices.

Sen. Simitian said he expects the new targets to again boost the state's renewable-energy industry. "If we send a clear signal to the market," he said, "the market will send investment dollars to California." He expects the law to make it easier for utilities to meet their goals by making it simpler for them to build their own renewable-energy sources if "the market does not provide for it," he said.

The California bill is the latest attempt by the state to bolster its clean-technology industry and improve the environment. The Global Warming Solutions Act of 2006, signed by former Gov. Arnold Schwarzenegger, a Republican, required a reduction of greenhouse-gas emissions to their 1990 levels by 2020.

FINANCIAL TIMES

April 19, 2011

California steps out on bold venture

Renewables

By April Dembosky in San Francisco

As clean-up efforts in the Gulf of Mexico continued a year after the Deepwater Horizon oil spill, and the full impact of the nuclear disaster in Japan was still being calculated, California was making a bold move in the development of green energy.

Last week, the state passed a law requiring that a third of its energy comes from renewable sources by 2020, the most ambitious quota for alternative energies, such as solar and wind, in the US.

The environmental benefits of weaning the world's eighth largest economy off fossil fuels is practically an afterthought for the law's advocates though, who are more concerned with the economic features of the policy. They want to create certainty in the market so investors will back the development of long-term, large-scale solar and wind projects.

"History has shown that people were unlikely to invest the sums necessary to improve renewable energy if they don't think there's a market for that energy," said Joe Simitian, state senator from Palo Alto, who sponsored the bill. "This will drive investment in infrastructure."

Backers of the law say the 33 per cent requirement will attract federal subsidies and loan guarantees for renewable projects, stabilise prices for ratepayers and create upwards of 100,000 green jobs, especially in rural areas that have been hard hit by the economic recession and where land for wind and solar projects is plentiful.

The law draws an unusual spread of opponents, from manufacturing companies that oppose the inevitable near-term increase in electricity rates, to local environmentalists who say solar projects should be restricted to rooftops rather than large expanses of desert where unique species of plants and animals will be disturbed. Even labour unions will sue over environmental issues in order to bring developers to the table so they can negotiate employment contracts.

"What they really have the ability to do is delay the project, not to kill it," said Matthew Freedman, an attorney with The Utility Reform Network, a consumer group that supported the law. "They have a lot of developers very frustrated."

On the national level, many of President Barack Obama's goals for green job creation and renewable power development have been stalled or halted in the political stalemate over spending. The US now ranks third in clean energy investment, behind Germany and China.

Instead, states set their own standards to drive innovation. California's new law sets the most ambitious renewables target of all states, as well as rigorous definitions of what qualifies as renewable energy. It does not count the 12 per cent hydroelectric power it generates as renewable energy. Many other states, including New York, would. Governor Jerry Brown said setting such goals required the courage to be unpopular.

"You can't be afraid to be called a moonbeam, weird, deviant, interesting, unexpected," he said before signing the renewable energy bill into law.

But manufacturing is not happy with those distinctions. Large energy consumers, such as steel, cement and mining companies, already pay almost double the industrial energy rates of neighbouring states, due in part to California's energy-efficiency programmes and subsidies to low-income customers. They opposed the new law. "This will probably amount to a 25 per cent rate increase for our guys," said Bill Booth, the regulatory attorney for the California Large Energy Consumers Association, an alliance of 16 companies. That could compromise their ability to compete with prices from foreign manufacturers, and that could lead to job losses or even plant closures, he said.

The law's backers justify the investment in renewable energy infrastructure by referring to California's energy crisis of 2001, when prices for natural gas, the state's main power source, soared 125 per cent under variable price contracts.

Mr Simitian said: "People were so determined to save a fraction of a penny in the short term that they ended up paying billions of dollars in the long term. When you have all your energy eggs in one basket, you're at risk. Events around the world have served to remind California of the value of a diverse portfolio and greater energy independence."

Impact a year on

Tomorrow is the anniversary of the 2010 Deepwater Horizon explosion. In the FT, Sylvia Pfeifer and Sheila McNulty look at the impact on BP and its partners in the Gulf of Mexico