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California Energy and Environmental Update **April 26, 2011**

Environmental justice groups seek to halt cap and trade implementation

Marking the next step in a closely watched legal battle, attorneys for two environmental justice groups asked a San Francisco Superior Court judge to freeze California's proposed cap-and-trade system for carbon until the state completes a thorough CEQA review of the concept and examines alternatives like a carbon tax or direct regulation.

The attorneys for the Center on Race, Poverty & the Environment and Communities for a Better Environment opposed the request from the California Air Resources Board (CARB) to allow staff to move forward with their scoping plan for implementing the climate law (A.B. 32) while the lawsuit dragged on. The plaintiffs are convinced that a cap-and-trade system would unfairly hurt low-income communities by allowing emitters (usually situated in low-income neighborhoods) to exceed local emissions limits buying credits or offsets. The environmental advocates asked the judge to stop implementation until a full CEQA examination of alternatives is completed.

If the judge were to decide to freeze the climate law until a CEQA analysis takes place, CARB would most likely appeal, but the appeals process could well delay the carbon market past its scheduled start date of Jan. 1, 2012.

California Solar Project Earns \$2.1 Billion DOE Loan Guarantee

On April 18 Secretary Chu awarded a \$2.1 billion loan guarantee to Solar Trust of America for the first 448-megawatt phase of its Blythe Solar Power Project. The project will create 1,000 local construction jobs, 80 permanent jobs, and thousands of manufacturing and supply chain jobs. When the first and second stages are complete, the 1,000MW plant will help California satisfy a portion of its goal of 33 percent renewable energy by 2020.

The \$2.1 billion loan guarantee, the largest non-nuclear loan guarantee to date, was the third major loan guarantee announcement this month. The Department of Energy previously awarded a \$1.2 billion loan guarantee to SunPower's California Valley Project the same week that BrightSource Energy closed its \$1.6 billion loan guarantee for the 392 MW Ivanpah solar farm in the Mojave Desert.

BrightSource also filed for an initial public offering last week to raise \$250 million. In its filing with the U.S. Securities and Exchange Commission, BrightSource did not disclose its amount of shares or share pricing.

Calico Solar Plant Lawsuits Dismissed by California State Supreme Court

Last week the California State Supreme Court dropped two lawsuits against the state's Energy Resources Conservation & Development Commission, Tessera Solar North America Inc. and Calico Solar LLC. The lawsuits, which were introduced by the Sierra Club and California Unions for Renewable Energy, challenged the approval of the 850 MW Calico solar plant.

Meanwhile, a suit against the BLM and four solar sites—the Blythe, Ivanpah, Calico, and Genesis solar projects—still remains unresolved. The suit, filed by La Cuna de Aztlan Protection Circle, claims the projects and the federal government are not adequately consulting with local Native American groups.

CLEAN California lobbies for feed-in tariff

A group of 25 labor, business, and environmental groups, calling itself the CLEAN California Partners, is asking Gov. Jerry Brown to implement a feed-in tariff for utilities to purchase power from small renewable projects on the distribution grid. While California has several programs to encourage utility purchases of local generation, none offers a set, fixed price, as a feed-in tariff does. Specifically, the coalition is asking the state to require standard, long-term "CLEAN Contracts" for utilities to purchase energy generated by new small renewable projects on the distribution grid at pre-defined rates. They also are advocating that the state make distribution grid interconnection costs and timeframes reasonable and predictable.

The CLEAN California Partners include the Clean Economy Network, the Los Angeles Business Council, the US Green Building Council California Chapters, the Galvin Electricity Initiative, the Local Clean Energy Alliance, the American Biogas Council, Pacific Environment, Global Exchange, private companies, and individuals, such as former California EPA head Terry Tamminen, who still advises former Gov. Arnold Schwarzenegger on energy.

Peak wind generation hits record high

This month peak wind production in California reached a record of over 2,400 MW statewide, which translates to about five percent of total electricity demand. This represents a significant increase from last year's record of 1,915 MW.

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California EPA official highlights growing U.S.-China divide in clean tech investments

At a recent Green California Summit and Exposition in Sacramento, Margret Kim, a deputy secretary at the California EPA and head of the agency's China program, lamented in her keynote speech that the U.S. was falling behind China in terms of investment in clean technology. Citing a report from the Pew Charitable Trusts, Kim said that Chinese companies invested a record \$54.4 billion in wind, solar and other green technology in 2010. The U.S. ranked third, at \$34 billion, behind China and Germany. In comparison, the U.S. was the top country for attracting clean tech investment in 2007. Kim said that China's favorable financing and generous incentives like grants, long-term tax holidays, and free land for factories have helped it emerge as a leader in clean tech manufacturing.

Kim acknowledged that these incentives were driving many solar manufacturers to open plants in China. She concluded that in the absence of strong federal policy on energy and climate change, California must provide stable and predictable policy measures itself.

New Interior rule prioritizes solar and wind development over mining on federal land

The Interior Department released a new rule on April 26 that allows solar and wind projects to get priority use of federal land at the expense of mining claims. The policy allows the department to block new mining claims for at least two years if the agency is already considering allowing wind or solar projects on that land.

Interior is issuing the new rule in the hopes of preventing renewable energy projects from being delayed by competing land uses. Over the past two years, more than 600 mining claims have been filed in areas being considered for wind or solar development, according to Interior.

California Energy Commission Awards Grants for Smart Grids

Both the Sacramento Municipal Utility District (SMUD) and Glendale Water & Power were awarded \$1 million grants for smart grid implementation from the California Energy Commission's Public Interest Energy Research Program. The U.S. Department of Energy is supporting the projects with Recovery Act funds totaling \$127 million for the SMUD project and \$180 million for the Glendale project. The SMUD project will add smart meters for 600,000 users, and the Glendale project will add both new electric meters and new water meters with leak detection.