

**Carbon Offset Workshop – Comment, Project No. P074207**  
**Comments filed by: Pacific Gas & Electric Company**

Pacific Gas and Electric Company (PG&E) submits the following comments in response to the Announcement of Public Workshop; Request for Public Comment, the “Carbon Offset Workshop – Comment, Project No. P074207,” 72 Fed. Reg. 66094 (Nov. 27, 2007).

Pacific Gas and Electric Company commends the FTC for its due diligence and commitment to evaluating the voluntary carbon offsets and renewable energy credit markets. PG&E supports the FTC’s efforts to establish guidelines and standards that will help foster the legitimacy of these voluntary markets for the benefit of the companies and consumers engaging in such transactions. The focus of PG&E’s public comments is on the voluntary carbon offsets market.

Carbon offsets play a key role in accelerated, near-term reductions of GHG emissions which in turn will ensure long-term, enduring environmental benefits. It is vital that the voluntary carbon offset market move toward increased transparency and standardization in order to provide the credibility and public confidence required to ensure ongoing reliance on offset programs as a viable way to reduce GHG emissions today. Though currently voluntary in nature, carbon offset programs have established a promising solution to ensure near-term compliance should a broad, mandatory GHG reduction program become a reality.

Broad interest in establishing standards around voluntary offset reduction programs is evidenced by the increased development of registries and protocols by various state, national and international organizations, including the California Climate Action Registry, The Climate Registry, The Voluntary Carbon Standard, and US EPA to name a few.

The FTC is uniquely positioned to establish needed, consistent parameters for voluntary carbon offset programs and renewable energy credit markets through its Green Guides. In so doing, the FTC would help to further legitimize these voluntary programs and provide structure that will create efficiency and best practices that can be shared across sectors and organizations and instill confidence in customers and investors.

PG&E<sup>1</sup> is one of the largest combination natural gas and electric utilities in the United States serving approximately 15 million people in northern and central California. Pacific Gas and Electric Company delivers some of the cleanest energy of any large utility in the nation in part because of its portfolio of energy efficiency, renewable energy, natural gas and other cleaner conventional sources.

As an environmental leader in the utility industry, PG&E is committed to helping reverse the trends causing significant detrimental changes to our climate and environment. Recognizing the cumulative effects of greenhouse gas (GHG) emissions on climate change, PG&E supports actions to remove such pollutants from the atmosphere as aggressively and as quickly as possible.

PG&E’s ClimateSmart<sup>TM2</sup> program provides a model for a comprehensive approach to designing and implementing a voluntary carbon offset program that ensures transparency, verification, measurement, additionality, and environmental protection. Below is an overview of the PG&E ClimateSmart<sup>TM</sup> program which we hope will serve as a useful example for the FTC as it considers how to provide guidance and parameters that will help sustain and bolster the voluntary carbon offset market.

PG&E created ClimateSmart<sup>TM</sup>, a first-of-its-kind program, as a part of its overall climate protection and environmental leadership strategy. ClimateSmart<sup>TM</sup> is designed to supplement

PG&E's existing efforts - both voluntary and mandatory - to address climate change, including increasing its renewable energy sources and expanding energy efficiency programs.

Launched in June 2007, ClimateSmart™ is an innovative voluntary program that enables customers to neutralize the greenhouse gas emissions associated with their energy use. Developed in consultation with environmental groups and approved by PG&E's state regulatory agency, the California Public Utilities Commission (CPUC)<sup>3</sup> for a three year demonstration period, during which the program is subject to governmental oversight through the CPUC, ClimateSmart™ enables PG&E's residential and business customers to help fund new, California-based environmental projects aimed at removing greenhouse gases from the air or avoiding the emissions in the first place. Customers who enroll pay a separate amount on their monthly utility bills to remove or avoid the carbon dioxide (CO<sub>2</sub>) equivalent associated with their energy use during that period—thus making them "climate neutral." The amount a customer will pay for ClimateSmart will be determined based on how many pounds of GHG emissions the customer's electricity and natural gas usage produces. The GHG emissions per kWh or therm are based on the emissions from PG&E's delivery portfolio which is independently verified by the California Climate Action Registry. Prior to enrolling, all customers can view an estimate of their carbon emissions via a carbon footprint calculator on PG&E's ClimateSmart™ Website. PG&E's ClimateSmart™ program aims to capture or avoid at least 1.5 million tons of CO<sub>2</sub> equivalent emissions by the end of 2009. All program marketing materials state that PG&E may enter into GHG reduction contracts where the reductions occur over time into the future.

Several parameters guide how PG&E's ClimateSmart™ program is designed and implemented. PG&E will only invest in GHG reduction projects for which there is an approved project protocol<sup>4</sup> from the California Climate Action Registry (CCAR)<sup>5</sup>, an independent, nonprofit organization established by California law as the voluntary registry for GHG emissions. These protocols have been developed through a transparent, stakeholder process and voted on by the CCAR Board of Directors. Each of the project protocols develops strict criteria for demonstrating how the project goes beyond current business practices or regulations, i.e. the project is additional. The project protocol must also be reviewed by the California Public Utilities Commission prior to use in the ClimateSmart program. To date, one CCAR protocol has been accepted by the CPUC for PG&E to pursue— forest sequestration<sup>6</sup> - with a second one in livestock manure management<sup>7</sup> pending. ClimateSmart™ projects will all be located in California and selected through competitive bidding under stringent criteria as defined in CCAR's protocols. PG&E's competitive bidding process for request for offers (RFO) to sell offsets is a consistent best practice used throughout PG&E for various procurement needs and in the case of offsets ensures the most competitive projects are selected on behalf of our customers.

All potential offset projects seeking to be chosen by PG&E's ClimateSmart™ program must be registered with the California Climate Action Registry. Once registered, all GHG emission reduction projects selected for ClimateSmart™ must be independently verified by a third party that has been accredited by the California Climate Action Registry. Using its rigorous process, which goes beyond the protocols of the CCAR, PG&E will only enter into contracts that invest in projects for GHG emission reductions that would not have otherwise occurred, and will permanently retire all contracted reductions. No reductions will be used to meet PG&E compliance obligations and none will be allowed to be claimed by any other offset program.

ClimateSmart™ includes a number of program elements to maximize transparency and accountability. All offset reduction projects funded will be announced publicly, reported to the California Public Utilities Commission, and communicated to all participating customers. All carbon offsets will be assigned serial numbers by CCAR so that they can be permanently tracked and retired.

In addition, PG&E created a ClimateSmart™ External Advisory Group<sup>8</sup>—consisting of recognized leaders from a wide range of community and environmental groups, businesses and government

agencies—to provide independent counsel and guidance throughout the design and implementation of the program including extensive review of all external marketing communications used to promote ClimateSmart™.

At PG&E, we are proud of our ClimateSmart™ program which we believe serves as a model voluntary carbon offset program and as a starting point for mandatory programs. In providing our customers with a means to minimize their environmental impact, ClimateSmart™ establishes robust oversight, standards and accountability that will ensure real, verifiable environmental benefits for the state of California. We are pleased with the strong participation rate among our residential, commercial and municipal customers which we believe demonstrates that our approach instills confidence in our customers and validates the transparency PG&E has worked hard to establish. PG&E's ClimateSmart™ program and its supporting partner agencies in California represent useful resources for the FTC as it works to establish its guiding parameters around the voluntary carbon offset and renewable energy credit markets.

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<sup>1</sup> <http://www.pge.com>

<sup>2</sup> <http://www.pge.com/climatesmart>

<sup>3</sup> <http://www.cpuc.ca.gov>

<sup>4</sup> <http://www.climateregistry.org/PROTOCOLS/>

<sup>5</sup> <http://www.climateregistry.org>

<sup>6</sup> [http://www.climateregistry.org/docs/PROTOCOLS/Forestry/Forest\\_Project\\_Protocol\\_Version\\_2.1\\_Sept2007.pdf](http://www.climateregistry.org/docs/PROTOCOLS/Forestry/Forest_Project_Protocol_Version_2.1_Sept2007.pdf)

<sup>7</sup> [http://www.climateregistry.org/docs/PROTOCOLS/CCAR\\_Livestock\\_Project\\_Reporting\\_Protocol\\_June\\_2007.pdf](http://www.climateregistry.org/docs/PROTOCOLS/CCAR_Livestock_Project_Reporting_Protocol_June_2007.pdf)

<sup>8</sup> [http://www.pge.com/about\\_us/environment/features/external\\_advisory\\_group.html](http://www.pge.com/about_us/environment/features/external_advisory_group.html)