



SB 1368: Greenhouse Gas Emissions Performance Standard for Major Power Plant Investments

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California Climate Choices

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A Clean Energy Future for California

California can send a clear signal to energy markets and power plant developers by adopting an electricity sector greenhouse gas (GHG) performance standard to encourage the development of low-carbon technologies that meet the state’s clean energy policy priorities.

Dozens of new conventional coal-fired power plants are being considered for development throughout the western United States. The utilities that would own these plants are hoping to sell their power to California to meet our state’s projected demand for electricity.

California utilities have long-term strategies in progress that will continue over the next decade to invest substantial sums of monies on new energy purchases. Depending upon what manner those investments are made, they could generate electricity and GHG emissions for the next thirty to fifty years.

Federal and state greenhouse gas emission regulations are expected to be enacted soon. But, further investment in highly carbon-intensive technologies will prevent the state from meeting its GHG reduction targets and could expose California ratepayers to significant financial risks.

California’s Energy Policy

On June 1, 2005, the Governor issued an executive order establishing greenhouse gas emission reduction targets for California. The order calls for the state to curb the emissions linked to global warming by 11 percent by 2010, bringing emissions down to the 2000 level. The next reduction target would come in 2020 when the state would have to reduce emissions to 1990 levels, or 25 percent below projected levels. Finally, the order calls for greenhouse gas emissions to drop 80 percent below the 1990 levels by mid-century.

In the 2005 Integrated Energy Policy Report (IEPR), the California Energy Commission recommended that the state “should specify a GHG performance

standard and apply it to all utility procurement, both in-state and out-of-state, both coal and non-coal.”

Significant investments in generation that do not meet SB 1368’s standard would likely prevent California from meeting its GHG emission reduction targets.

SB 1368 – Greenhouse Gas Performance Standard

SB 1368 creates important performance standards for new long-term financial investments in electricity generation in California and the much of the West. SB 1368 will compel electricity generators to comply with a GHG emission performance standard established by the Energy Commission.

This standard is needed to protect energy customers from the significant financial risks associated with investments in carbon-intensive generation.

Specifically, the bill does the following:

- **Global Warming Emissions** – Allows new capital investments in power plants for baseload generation by any load-serving entity if and only if their GHG emissions are as low or lower than GHG emissions from new, combined-cycle natural gas power plants.
- **In-State and Imported Electricity** – This GHG performance standard will apply to all in-state and out-of-state generators, whether fueled by coal or other fuel resources.
- **Electricity Reliability** – Ensures that the standards will in no way negatively impact the reliability of the energy services that California ratepayers receive.
- **CEC and CPUC Regulations** – The California Energy Commission and California Public Utilities Commission will be required to adopt regulations through a public process in order to implement and enforce this standard.

