

Interactions Between AB 32 Program Measures and Related Markets

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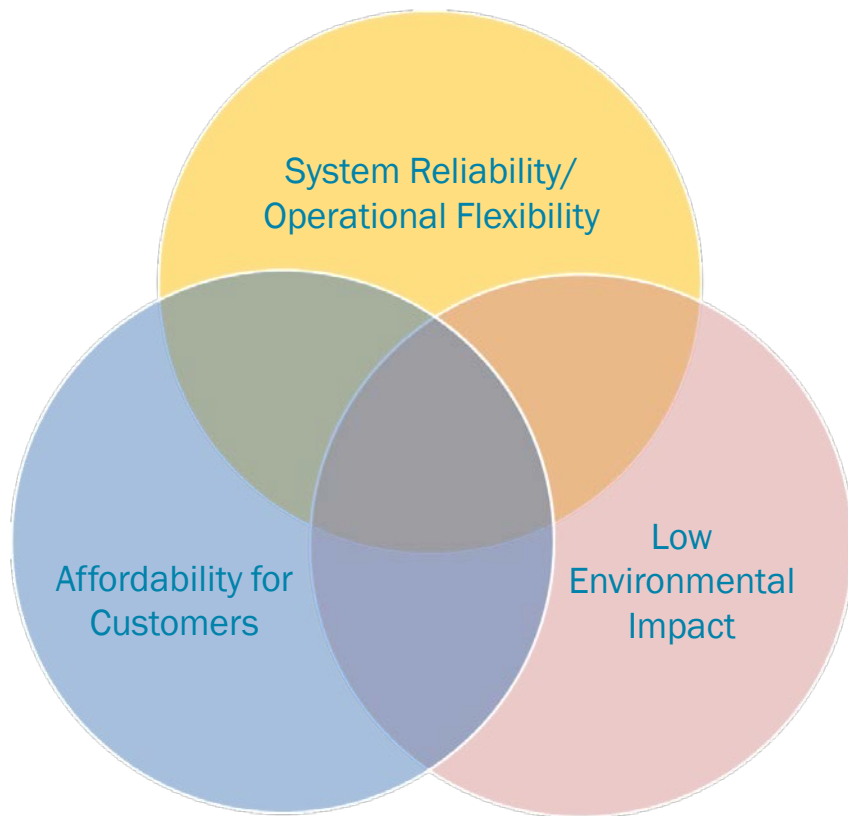
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DRAFT



PG&E and AB 32

PG&E supports energy policy that ensures a cost-effective, reliable source of energy to our customers and helps reduce greenhouse gases statewide



- ✓ PG&E wants AB 32 to succeed, and believe it can be achieved at reasonable cost
- ✓ PG&E is actively implementing all applicable Scoping Plan measures
- ✓ PG&E believes Californians will be best served by a broad mix of cost-effective clean energy policies



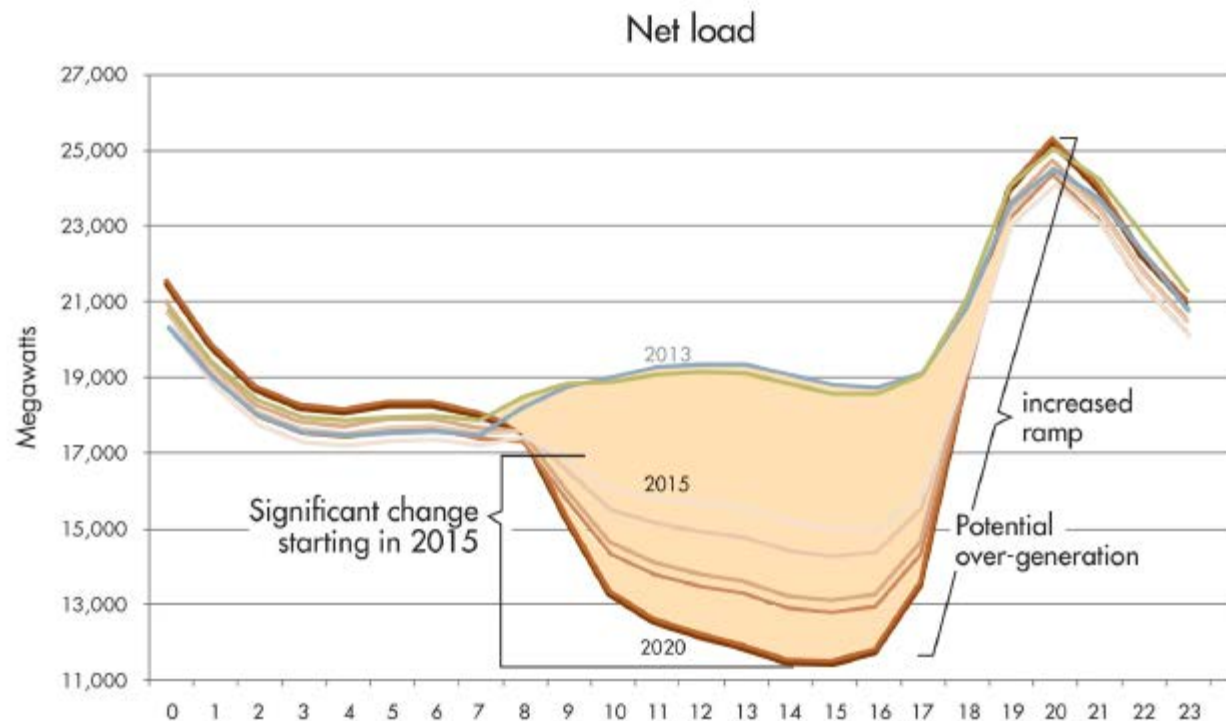
Relative Impact of Complementary Policies on Cap & Trade Market

- ✓ Impact of Δ in demand for allowances on allowance prices
- ✓ Sources of Δ in demand for allowances
 - Economic Growth
 - Performance of Policy measures
- ✓ Key uncertainties (and relative impact of complementary measures)



Impact of Complementary Policies on Electricity Markets

Growing need for flexibility starting 2015





Thoughts on Achieving Emissions Reductions at Lower Cost

