

Protecting the global environment by working with China to harness efficiency as a viable energy resource.

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Contact Information

China-US Energy Efficiency Alliance
50 California St., Suite 840
San Francisco, CA 94111
Phone: (415) 951-8975
Fax: (415) 983-9984
info@chinausealliance.org
www.chinausealliance.org

Board of Directors:

Bryant Tong (Chair)
Managing Director,
Nth Power

Peter Liu (Vice Chair)
New Resource Bank

Barbara Finamore (President)
China Program Director,
NRDC

Peter Carson
Partner, Bingham McCutchen

Steven Kline
VP Environmental and
Federal Affairs, PG&E Corp

A Note from the Alliance President

Let me begin by taking this opportunity to thank everyone who has been involved with the Alliance for your interest in, and support of, our mission. All of our efforts provide very important contributions to addressing the critical issue of global climate change.

I would like to highlight two exciting upcoming events, both of which are described more fully below.

- The first annual DSM Forum, now scheduled for July 24-25, promises to be a unique opportunity for key stakeholders from all over China to learn how demand side management can play a major role in helping China to meet its ambitious energy efficiency goals while reducing carbon emissions and other environmental impacts.

- This Fall (date to be announced soon), the Alliance will kick off our new China Energy Roundtable series, designed to provide the latest updates on and insights into this rapidly changing field. Our first Roundtable will include a number of high-level Chinese government officials as special guests.

With respect to recent developments, I am delighted to announce that since our last newsletter, Gene Rodrigues, Director of Energy Efficiency for the Southern California Edison Company, has become a member of the Alliance Leadership Council. His expertise in energy efficiency and his enthusiasm for helping achieve our mission will be a major contribution to our efforts. He will be joining Commissioner Dian

Grueneich, Ashok Gupta, Susan Kennedy, Mark Levine, Steve McCarty, Doug Ogden, and Commissioner Art Rosenfeld on our Council, along with our Chinese counterparts.

Our Alliance team is growing, with a number of new, very active volunteers and several additional U.S. and Chinese members of our Technical Advisory Group (TAG). We really appreciate all their support, enthusiasm, and hard work on behalf of the Alliance. I look forward to introducing them in greater detail in future newsletters. We are also planning an article describing our TAG and how it supports the efforts of the different organizations that work on energy issues in China.

With best wishes,
Barbara

Energy Efficiency in the News:

Top Global Priority is Energy Efficiency in China

The McKinsey Global Institute released a two-part report on world-wide energy demand. The first part issued in November 2006 –Productivity of Growing Global energy Demand: A Microeconomic Perspective – pays particular attention to China’s role in the global market and opportunities that exist for lowering demanding with energy-saving devices. The report is available at: www.mckinsey.com.

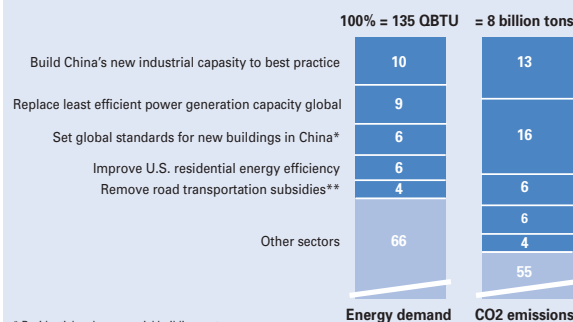
The second part of the McKinsey Global Institute

report, entitled “Curbing Global Energy Demand Growth: The Energy Productivity Opportunity,” was published in May 2007, providing even more focused

analysis of implications of efficiency technologies on businesses and policymakers. As shown in the graph below, this report concludes that the top priority for global

efforts to improve energy productivity is to help China build its new industrial capacity consistent with best practices in energy efficiency – exactly the mission of the Alliance! The second report is available at: www.mckinsey.com.

THE TOP FIVE PRIORITIES REPRESENT A LARGE SHARE OF THE OPPORTUNITY TO CURB GLOBAL ENERGY DEMAND AND CO₂ EMISSIONS
Breakdown of the global energy productivity opportunity %. QBTU, billion metric tons



* Residential and commercial building sectors.
** Assuming the removal of 80 percent of fuel subsidies globally (largely in the Middle East, Venezuela, and Mexico).
Source: MGI analysis

Recent Alliance Activities:

Jiangsu DSM Demonstration Project

Jiangsu, California's sister province, has relied extensively on the Alliance to design China's first large-scale incentive program for installation of efficient technologies, which has become a model nationwide. Over the past four years, Jiangsu has implemented over 200 demand side management projects, completed the construction of a 150 MW "efficiency power plant" project, leveraged over \$300 million public and private investment and reduced emissions by 2 million tons of carbon dioxide per year. China's Premier Wen

Jiabao and Vice Premier Zeng Peiyuan recently cited Jiangsu's program with approval and have submitted it to China's State Energy Office with instructions to promote it as a national model.

Our plan for the next year is to help the Jiangsu Economic and Trade Commission (ETC) and its DSM Center strengthen implementation of its DSM energy efficiency incentive program in order to (1) achieve further cost-effective and verifiable energy savings and carbon reductions, (2) pave the way for scale-up in Jiangsu in order to achieve full implementation, and

(3) provide successful pilot project models, training and technical materials that will promote replication in other provinces of China.

This program is Jiangsu's major strategy for achieving its contribution to China's ambitious national energy intensity target of 20% reduction by 2010.

Asian Development Bank "Efficiency Power Plant" (EPP) Project

The Asian Development Bank Energy Conservation and Resource Management Project is developing a showcase "Efficiency Power Plant"

in Guangdong Province, which is a simulated power plant with 300 MW capacity of demand reduction installations. Objectives of the program are to demonstrate the potential energy savings and greenhouse gas reduction value of industrial and commercial energy efficiency while fostering governmental and private support for demand reduction strategies. A number of Alliance team members are involved in this project, including Optimal Energy, the Regulatory Assistance Project, the Natural Resources Defense Council, and several of our Chinese TAG colleagues.

Alliance Leaders in the Field:

The China-US Energy Efficiency Alliance technical experts, board members, employees, volunteers and countless others on the Alliance "team" enable our organization to be an agent for positive change in Chinese energy efficiency policy and programs. Each newsletter will feature Alliance team members who are making significant contributions both to our organization and to improve energy efficiency more generally. This time we are highlighting the work of two members of the Alliance Leadership Council, who are also two of efficiency's strongest proponents in the state of California and nationwide.



Art Rosenfeld brings both deep scientific knowledge and policy evaluation skills to his seat on the California Energy Commission, a position he has held since 2000. Dr. Rosenfeld received a Ph.D. in Physics in 1954, and his long career reflects his pioneering work in the field of energy efficiency. The Center for Building Science, which he established in 1974 at Lawrence Berkeley National Laboratory (LBNL), is credited with the development of electronic ballasts for fluorescent lamps,

low-emissivity windows, and DOE-2, a computer program for energy analysis and design of buildings. Commissioner Rosenfeld has been recognized widely for his cutting-edge scientific work, receiving both the Carnot Award for Energy Efficiency and the prestigious Enrico Fermi Award.

In addition to his research, Commissioner Rosenfeld is actively involved in the policy process surrounding efficiency. He is a co-founder of the American Council for an Energy Efficient Economy (ACEEE) and the Washington-based Center for Energy and Climate Solutions (CECS). From 1994-1999 he served as a senior science adviser to the assistant secretary for energy efficiency and renewable energy at the US Department of Energy.

Beyond the US, Rosenfeld has been an advocate of the increasing importance of energy efficiency in supporting the growth of emerging

economies and protecting the global environment. In 1984 he made his first trip to China for an energy forum convened by the central government. Rosenfeld recalls he was the only person of all the foreign business leaders and industry experts present speaking of energy efficiency rather than building nuclear capacity. His ideas eventually caught the attention of officials at the Ministry of Construction, and soon after, Rosenfeld became involved in drafting the first building standards to be adopted in China. Now through the cooperative agreement between California and Jiangsu Province, a collaboration promoted by the Alliance, Rosenfeld is working with his regulatory counterparts in eastern China to explore the potential for a public goods charge or other funding mechanisms by which energy efficiency programs can draw continuous financial and institutional support into the future.



Dian M. Grueneich, long-time expert in environmental policy and energy management, began her career over 30 years ago at the California Energy Commission. Now in the third year of her appointment as the "energy efficiency" commissioner at the California Public Utilities Commission (CPUC), Commissioner Grueneich continues to serve California by designing policies that

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About the Alliance

The China-US Energy Efficiency Alliance is a nonprofit organization whose mission is to promote global sustainability by working with China to harness efficiency as a viable energy resource. Through its Board of Directors, Leadership Council, and Technical Advisory Group (TAG), the Alliance receives guidance and support from a variety of leaders in energy efficiency technology, economics, policy and activism and transfers that expertise into practical solutions to energy and environmental needs in China and the US.

The five-member Board of Directors is responsible for managing the activities of the Alliance. In May 2005, the Board decided to create the Leadership Council and TAG as bodies to further the goals of energy efficiency and improve cooperation between the two partner countries.

The Leadership Council, as an advisory body on public policy and industry issues, assists the Alliance in establishing and fostering relationships and identifying opportunities for additional collaboration. The Leadership

Council is composed of eight US and eight Chinese members, representing national and provincial/state governments, electricity regulatory bodies and electric utilities.

Over forty leading Chinese and U.S. technical experts on demand-side management (DSM) and energy efficient technology contribute to the Technical Advisory Group, which serves as a medium for providing advice to the Alliance, exchanging information and working on joint projects. Through

monthly conference calls, the TAG works to coordinate ongoing research and development efforts in both countries.

The Alliance seeks the involvement of a diverse group of leaders, believing that it is only through a comprehensive, multidisciplinary approach to efficiency that China and the US can collectively work towards providing environmentally-sound options for energy use into the future.

UPCOMING EVENTS

DSM Forum

July 24-25, 2007

In cooperation with the Chinese government and its two major utilities, the Alliance and the Natural Resources Defense Council (NRDC) will be cosponsoring the first annual DSM Forum in Beijing on July 24-25, 2007. The official title of the event is **Power Demand Side Management: Energy Efficiency and Emission Reduction: 2007 International Forum on Power DSM in China**. The Forum will bring together over 300 representatives from China's central and provincial governments, utilities and other key stakeholders, along with experts from the U.S. and international organizations. The agenda will focus on development and implementation of DSM policies and best practices. The Forum will feature opportunities to learn about national and local plans for energy management, identify targeted technologies for DSM focus, and introduce key officials. This will be the first in an annual series of events sponsored by China's National Development and Reform Commission and the Ministry of Finance, and organized by the Alliance and NRDC.

The DSM Forum will be followed by a second day of working sessions to provide an opportunity for more in-depth discussions and presentations. The Forum will also serve to kick off a new Alliance cooperative project with China: development of a national DSM Implementation Manual and Monitoring & Verification Protocol.

China Energy Roundtable

Fall 2007

The Alliance will be hosting a series of events designed to share with participants the latest developments with respect to energy and environmental issues in China and to provide an opportunity for discussion with key experts in this field.

We are honored to have a delegation of high level energy decisionmakers from China as the featured guests for our first Roundtable and reception which will take place in Fall 2007. Next month, we will send out further information about the event, including exact time and location.

For further information about the China Energy Roundtable series, please contact us at www.info@chinausealliance.org.

We are seeking Alliance Partners, as well as sponsors for the Roundtable series. For further information, please contact us at: www.partners@chinausealliance.org.

Leaders continued...

encourage energy efficiency and DSM growth through technology innovation and diffusion.

Commissioner Grueneich's influence as an effective consensus builder reaches beyond state borders. She has served on the Board of the American Council for an Energy Efficient Economy and is a strong advocate of building international relationships that promote both energy security and environmental protection.

Commissioner Grueneich has been a major supporter of the Alliance since starting her tenure at the CPUC. Last fall, she gave the keynote address at a reception for the Alliance hosted at PG&E's Pacific Energy Center, and she has also been active in deepening the CPUC's involvement with the Alliance and its collaborative programs in China. Commissioner Grueneich believes that "everyone has the common goal of preserving our planet for our children and our children's children," and cooperation between the US and China is just one of many ways in which solutions to global climate change must be pursued.