

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

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A note from the Alliance President

A Review of Year One

I am pleased to have this opportunity to report on the achievements of the Alliance during its first full year of operation. We have made great strides in working with Chinese authorities and utilities to provide practical support in the development of policies and programs to improve energy efficiency.

China has established far-reaching energy efficiency targets which, if fully implemented, will be the largest greenhouse gas emission reduction program in the world. One major impediment that could keep the Chinese from reaching these targets is a lack of understanding and experience in the concrete tools and programs for maximizing energy efficiency. The good news is that the Chinese authorities recognize that they can learn from the experience of California, and other states, and they have invited the Alliance to work with them to facilitate the transfer of experience.

I would like to take this opportunity to note some of the Alliance's highlights from the past year:

- The three investor-owned utilities in California have become Alliance Partners, providing financial and technical support for our efforts.
- We have recruited an active Board of Directors, along with a Leadership Council and Technical Advisory Group, composed of some of the top energy efficiency experts in the US and China.
- The Alliance has facilitated the establishment of a groundbreaking cooperation agreement between California and Jiangsu Province to facilitate energy efficiency activities, and to open up markets for clean and energy efficient technologies and products. The Alliance has been named as one of the implementing organizations for the Agreement.
- At the invitation of key Chinese officials, we have provided advice related to the development

of a national Demand Side Management Decree and a DSM Implementation Manual.

- We have been working closely with the national DSM Center and officials of Jiangsu Province to identify opportunities for improving efficiency, and to set up programs that provide incentives for customers to purchase efficient products (such as industrial motors, heating/cooling units and lighting).
- The Alliance team has been awarded a grant from the Asian Development Bank to undertake a DSM feasibility study in preparation for a \$100 million loan to Guangdong Province.

I am indebted to our Board Members, Partners, Leadership Council, Technical Advisory Group, volunteers, and the rest of the Alliance team, for helping us to reach these milestones.

Many thanks for your interest and support.

Barbara Finamore



Alliance President Barbara Finamore and New York Times foreign affairs columnist Thomas Friedman spoke at the Environmental Entrepreneurs EcoSalon on Earth Day, April 22 in San Francisco. The topic was "Powering the Dragon: China and the Global Energy Challenge." They were joined by Rob Watson, head of NRDC's International Energy and Green Building programs. Friedman discussed the importance of a sustainable energy policy, not only for the sake of the environment, but as an important component of America's national security. This was a point reemphasized by Finamore in her presentation, which showed the devastating effect that Chinese sources of energy have on China and the rest of the world. Environmental Entrepreneurs (E2) is a group of business leaders who have partnered with NRDC to help solve environmental problems through collective action.

Recent Articles and Publications

California Public Utilities Commissioner Dian Grueneich, representing the Alliance Leadership Council, met with an 8-person delegation from China on Monday, August 14. The purpose of the meeting was to explore new opportunities for cooperation on energy efficiency and implementation of the California-Jiangsu MOU. The delegation was led by Mr. Xia Xin of China's National Development and Reform Commission (NDRC), who is responsible for advancing DSM policy in China; Mr. Lu Xinming, Deputy Director of the NDRC Department of Energy Conservation; and Mr. Han Wenke, head of China's premier energy think tank, the Energy Research Institute.

The Energy Challenge: Pollution from Chinese Coal Casts a Global Shadow *(NY Times June 11, 2006)*

This article illustrates the essential nature of the Alliance's work. Authors Keith Bradsher and David Barboza discuss the impact that the use of coal in China has on the rest of the world and California in particular. The article points out that China's leaders have vowed to improve their nation's energy efficiency, recognizing the dangers from burning so much coal. In fact, the government has set one of the world's most ambitious targets for energy conservation: to cut the average amount of energy needed to produce each good or service by 20 percent over the next five years. Alliance President, Barbara Finamore is quoted in the article.

China's Air Pollution Reaches US Skies *(AP, July 28, 2006)*

This article describes studies concerning the environmental impact of China's breakneck economic growth beyond its borders and, in particular, on the US West

Coast. It describes how China's increasing consumption of fossil fuels to feed its energy-hungry economy will result in a sharp increase in trans-Pacific pollution that could affect human health, worsen air quality and alter climate patterns. It points out that coal-fired power plants supply two-thirds of China's energy and are its biggest source of air pollution. Already the world's largest producer and consumer of coal, China on average builds a new coal-fired power plant every week. The Alliance President, Barbara Finamore, quoted in the article, points out that Beijing has set ambitious goals for increasing energy efficiency, fuel economy standards and use of renewable power sources, and that there are tremendous opportunities for China to slow the amount of air pollution.

Energy Efficiency: California's Highest Priority Resource

is a brochure just published by the California Public Utilities Commission and the California Energy Commission. Subtitled

Lowering Energy Costs, Promoting Economic Growth, and Protecting the Environment, this publication describes California's energy efficiency programs and investments, and explains the benefits that have accrued from the three decades of energy conservation and efficiency policies. It demonstrates how California's programs, among the most aggressive in the nation, have avoided the need to build 24 large power plants. Furthermore, energy efficiency (which is described in the brochure) is a key element in the State's plan to achieve greenhouse gas emission reduction targets. The brochure also describes California's future energy efficiency opportunities to help meet the State's energy needs, protect the environment, and achieve significant cost savings. This brochure is available in Mandarin.

The full text of these articles and the brochure can be found in the Alliance website (see 'News and Events') website.

Support of California Utilities and Regulators

A great help to the Alliance has been the participation of all three of California's major investor-owned utilities. Pacific Gas & Electric Corp., the Alliance Founding Partner, has been joined by Southern California Edison and Sempra Utilities as Partners of the Alliance in its first year. They have been providing technical support and other in-kind assistance.

The Alliance is also supported by key California energy regulators, with Commissioner Art Rosenfeld of the California

"I'm very pleased to announce that... all three of California's major investor-owned energy utilities have joined the Alliance as Corporate Partners. I know you all join me in expressing our appreciation to all involved in these acts of environmental leadership. We look forward to working with these utilities through the Alliance to further China's efforts to meet its impressive energy efficiency goals, in support of our mutual interest in reducing global warming pollution."

**Chairman Peevey
California Public Utilities Commission**

Energy Commission and Dian Grueneich of the California Public Utilities Commission serving on the Alliance Leadership Council.

California is the world's leader in demand-side management. Working with the Alliance, the State's utilities and the regulators have decided to take the lessons learned through years of hard work, and through the recent energy crisis, and share this experience with their Chinese counterparts.

About the Alliance

The China-US Energy Efficiency Alliance is a nonprofit organization which pools financial and technical resources to help China design and implement large-scale energy efficiency incentive programs (known as "Demand Side Management" – or "DSM" programs). We are able to achieve substantial and concrete results by working directly with key Chinese officials at national and provincial levels, who have invited the Alliance

to provide regulatory and technical advice and training related to the design and implementation of DSM programs.

A more energy efficient Chinese economy will accrue many benefits to the global community. Substituting energy efficiency for new power plants will result in lower than expected emissions of global warming gases and other pollutants effecting not only China

but also the US and the entire world. Furthermore, reducing growth in energy demand will result in a lessening of the pressure on global energy markets.

The Alliance seeks the help of companies and individuals that agree with the mission of the Alliance. If you are interested in becoming an Alliance Partner, please visit our website or contact us at info@chinauseealliance.org.

UPCOMING EVENTS

PG&E To Host Reception to Introduce the Alliance

September 28, 2006

Pacific Gas and Electric Corporation, a founding Alliance Partner, has generously offered to host a reception in San Francisco on September 28, 2006, to bring together current supporters of the Alliance, along with others who are interested in learning more about the Alliance and what they may do to help further our mission.

We are pleased that the following individuals will make short presentations describing the work of the Alliance, as well as how the Alliance facilitates cooperation between California and China in the field of energy efficiency:

- **Commissioner Dian Grueneich**, California Public Utilities Commission (designated Commissioner for energy efficiency)
- **Fong Wan**, PG&E Vice President of Energy Procurement
- **Barbara Finamore**, Alliance President and NRDC Senior Attorney

The reception will take place at The Pacific Energy Center, 851 Howard Street, San Francisco, beginning at 6:00pm.

DSM Forum in China

Early 2007

The Alliance will be hosting the first annual DSM Forum in Guangzhou early next year. The Forum will bring together key stakeholders including national and local Chinese officials as well as representatives of manufacturers of energy efficient technology and other private sectors parties. The Forum will provide a unique opportunity to learn about the latest developments related to Demand Side Management ("DSM") in China and its value to industry. The agenda for the Forum will include opportunities to learn about national and local plans, identify targeted technologies for DSM focus, and introduce key officials. Attendees will also hear about new opportunities for manufacturers of energy efficient technologies and products, as well as for energy services companies to assist in the implementation of DSM programs. The Forum will also address opportunities for earning credits for DSM programs under the Clean Development Mechanism (CDM).

We are currently looking for sponsors for the Forum. For further information about the Forum, contact us at info@chinauseealliance.org

A study conducted by the NRDC found that California-style conservation programs could reduce China's electricity consumption growth by 10 percent over the next decade. That would save enough electricity to avoid building 26 coal-fired power plants, and at one-quarter the cost of what it would take to build those plants.

"We conveyed to the Chinese that there are real-life lessons we've learned, being more efficient, that don't mean just turning lights off or closing factories for weeks or having brownouts."

*Steve Kline
Alliance Board member
PG&E, VP Government
and Regulatory Relations
(San Francisco Chronicle
October 7, 2005)*