

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



2009 has been an incredible year for the Alliance – and its only the beginning of the second quarter!

I am so grateful to all the members of the Alliance team – our Board of Directors, Leadership Council, Technical Advisory Group, Partners, staff, experts, and volunteers – who have made it possible to achieve so much.

In January, we organized our third Roundtable event, the first outside the Bay Area. Two of our Partners – Southern California Edison and Sempra Energy Utilities (San Diego Gas and Electric and Southern California Gas Company) co-hosted the Roundtable at the City Club in Los Angeles. This was an exciting evening, with participants learning “Why Californians should care about improving energy efficiency in China” from a distinguished panel representing three perspectives (government, industry and science) expertly moderated by Gene Rodrigues (see the article below).

The second DSM Forum was held in February in Beijing organized by the Alliance and the Natural Resources Defense Council in cooperation with China’s National Energy Administration (NEA) and National Development and Reform Commission (NDRC) Training Center. This was the first major international conference for the NEA, which was formed in 2008 to oversee and regulate the country’s energy program.

We had an outstanding delegation of US officials and experts led by the Chairman of the Federal Energy Regulatory Commission, Jon Wellinohoff, Commissioner Art Rosenfeld (California Energy Commission) and Commissioner Dian Grueneich (California Public Utilities Commission). The new US Secretary of Energy, Steven Chu, sent a videotaped message to the Forum participants (see “DSM Forum” below).

Another major development is the completion of the DSM Manual. The Manual is in the process
see “Note” page 5

DSM Forum

To provide China with innovative policy tools and effective mechanisms for developing energy efficiency portfolios and implementing energy efficiency programs and projects, the Natural Resources Defense Council (NRDC) and the China-US Energy Efficiency Alliance co-sponsored a high-level international forum in cooperation with China’s National Energy Administration (NEA) and the National Development & Reform Commission (NDRC) Training Center.



The Forum, which took place from February 26 to 27 in Beijing, brought together approximately 300 representatives from China’s central and provincial governments, major enterprises, utilities, and other key stakeholders.

The Forum also officially launched the nationwide capacity-building initiative for energy efficiency — a high-level cooperative training project jointly developed by NRDC, the Alliance

and the NDRC Training Center.

Liu Qi, Deputy Administrator of the NEA, spoke on behalf of NEA Minister Zhang Guobao. Mr. Liu reiterated the Chinese government's commitment to energy efficiency and called for the development of effective energy efficiency implementation measures.

A high-level group of federal and state regulators, utility executives, and energy efficiency experts led the US delegation. The new US Energy Secretary, Steven Chu, spoke at the opening session in a videotaped message, congratulating the participants and emphasizing the importance of close collaboration between the U.S., China, and other nations with the goal of fundamentally transforming the way energy is produced and used.

Also speaking at the opening session were Jon Wellinghoff (Acting Chairman of the US Federal Energy Regulatory Commission), Dian

Grueneich (Commissioner, California Public Utilities Commission), Art Rosenfeld (Commissioner, California Energy Commission), Steven Kline (Vice President, PG&E Corporation) and Barbara Finamore (Director, NRDC China Program and President, China-US Energy Efficiency Alliance).

Immediately following the opening session, Forum participants attended a one and one-half day training program, the first in a series of such programs designed as part of the nationwide capacity-building initiative. During the program, energy efficiency experts gave a series of presentations to share US experience. Topics included: enabling policy tools, best practices, institutional structures for energy efficiency implementation, energy efficiency program design and evaluation, energy management contracts and ESCO delivery mechanisms, energy efficiency financing, and measurement and verification tools.

LA Roundtable

In late 2007, the China-US Energy Efficiency Alliance launched a Roundtable speaker series designed to share 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.

The most recent Roundtable was held on February 10 in Los Angeles.

The event was hosted by two of the Alliance's Leading Partners – Southern California Edison and Sempra Energy Utilities (San Diego Gas and Electric; Southern California Gas Company). Participants represented a cross-section of the community (e.g., business, government, academia).

The Roundtable featured three outstanding panelists. Each panelist provided a different perspective on the subject of "Why Californians Should Care about Improving Energy Efficiency in China":

- **Dominic Ng**, Chairman, President & CEO of East West Bank
- **Commissioner Dian Grueneich**, California Public Utilities Commission (CPUC)
- **Steven S. Cliff, Ph.D.**, California Air Resources Board and Research Professor, UC Davis

Introductory comments were made by **Ann Shen Smith** (Senior Vice President, Customer Services, Sempra Energy Utilities) and **Lynda L. Zeigler** (Senior Vice President, Customer Service, Southern California Edison). Ms. Smith emphasized that the US and China have an unprecedented opportunity to address climate change. Ms. Zeigler added that the Alliance provides a means to share with China what Californians have learned in the last 30 years.

Barbara Finamore (President of the Alliance) summarized recent



Alliance accomplishments and upcoming activities.

The Panel discussion was facilitated by **Gene Rodrigues**, Director of Energy Efficiency for Southern California Edison Company. He noted that the event provided participants with the chance to both learn about China and energy efficiency from leading experts and well as have an opportunity to make an

impact by supporting the work of the Alliance.

In response to the question, "why should Californians care about energy efficiency in China", **Dr. Cliff** first explained that in transferring energy efficiency best practices to China, Californians benefit from reduced pollution originating from China. Research shows that the increased combustion of coal and fossil fuels in China have increased the amount of pollution in the atmosphere "which when carried on winds across the Pacific Ocean have the potential to impact our climate and our air quality here in California." He noted that for the last thirty years, California has kept its per capita consumption of energy use flat despite a growing economy, making it an example of how China can improve their standard of living without a corresponding increase in energy use.

Dr. Cliff later added that "it's important to realize that here in California we can be leaders in developing technology and leaders in showing how we can still do that in way to reduce our carbon footprint...in a way that that still allows us to make our businesses better. And we will be able to export that knowledge in a way that benefits us directly in that we are making the global environment better." He noted that if China and India follow the California example, "there will be a worldwide benefit."

see "Roundtable" page 5

Alliance Leaders in the Field

The China-US Energy Efficiency Alliance "team" - technical experts, members of the Board and Leadership Council, Partners, employees, volunteers and others- enables our organization to be an agent for positive change related to energy efficiency in China. Each newsletter will feature Alliance team members who are making significant contributions both to our organization and to improving energy efficiency and global warming more generally. This time we are highlighting the work of two experts who were instrumental in the development of the National DSM Implementation Manual for China.



Terry Fry, senior Vice President at Nexant (Energy and Carbon Management) has been a long-time member of the Alliance's Technical Advisory Group. When the opportunity arose to take part in the team of US and Chinese experts responsible for the development on the Demand Side Management (DSM) Manual, Fry agreed to not only to help draft text, but also to direct the development of the document. "It made sense for me to take the role of coordinating the work of several experts and framing that in a way that would be best understood by [all of] the decision makers," said Fry.

After senior policy makers from China expressed the need for a

Manual at the first DSM Forum in 2007, Fry began his work by recruiting experts in several key areas. The group drafted an outline for the Manual, after which Fry recruited more energy experts to produce the Manual's content and organize it a way that fit the agreed-upon structure.

A draft of the Manual was finished in June 2008, after which Fry traveled to China to discuss the Manual with his counterparts at the DSM Center in Jiangsu Province. As a result, additional content was prepared tailored specifically to the needs identified.

The Manual, focusing on industrial energy efficiency, will soon be published as Volume I, and will be distributed in China and used as part of the training program being organized by the Alliance and the Natural Resources Defense Council in conjunction with the Chinese authorities. Fry hopes that there will be a "Volume II" focusing on energy efficiency in the building sector.

Fry says the DSM Manual is "one step on the path" towards global energy efficiency. "Working with China is key in solving global energy issues because of the massive health, economic and environmental benefits available there. Because several of China's industries use three to eight times the amount of energy for similar processes in other countries, there are tremendous opportunities for energy savings."

Fry hopes that the success of the work in the Jiangsu Province pilot program will encourage the Central government to expand the Manual's ideas to a national level, acknowledging China's

see "Fry" page 4



For more than thirty years, **Steve Schiller** has worked in the field of energy technology, focusing on demand-side efficiency, renewable energy, and independent power. As one of the nation's foremost experts on Demand Side Management (DSM), he wants to use his expertise to make the greatest global impact possible. Schiller is committed to attacking

the problem of greenhouse gases from every angle. "The less we have to generate the better," Schiller adds. "There is global discussion on whether efficiency makes sense and how we do it. Efficiency is a first choice, no regrets, cost effective mechanism"

Schiller began his work with the China U.S. Energy Efficiency Alliance as part of the team drafting the DSM Manual for China. At his first Alliance meeting in Beijing, he was inspired by the enthusiasm and ingenuity of his Chinese counterparts. Schiller, who has been consistently active in creating greenhouse emission reduction strategies, saw his collaboration with the Alliance as a logical step in his work. "China is the leading emitter of CO₂. If we don't solve China, we don't solve the greenhouse gas mitigation

issue."

Schiller jumped right into to his work developing the DSM Manual, committed to bringing the demand model of energy efficiency to an ever-widening audience in concrete, easy-to-understand terms. He played a vital role in structuring the Manual and drafting a key chapter. He was also part of the team meeting with the Chinese partners to discuss how to make it appropriate for the target audience.

Schiller noted that, initially, drafting the chapter proved challenging. Most of the authors have demanding jobs and struggled to fit in time for the Manual's creation outside of their normal working hours, with the added challenge of communicating across time zones. Schiller is looking forward to seeing how the Manual will be used in training, programs and projects. As he says "the proof is in the results. It's not policy, it's the results that count. And the results in this case are saved energy."

After completing his education in Mechanical Engineering at the University of California Berkeley and the University of Michigan, Schiller started his career working in renewables and then independent power generation before focusing on primarily

see "Schiller" page 4

Schiller continued...

demand side management. He currently provides pro-bono industry support and professional consulting in the United States and in other countries (China, Croatia, Poland, Thailand, and Vietnam) for government entities, multilateral organizations, utilities, and private companies. The focus of his work is developing energy infrastructures that are clean, reliable, and stable and which provide consumers with reasonably priced energy and addressing sustainable development approaches to climate change mitigation and adaptation. Schiller is also an internationally recognized evaluation, measurement and verification (EM&V) expert having been responsible for many of the guidelines used in the energy efficiency industry. He is also active in domestic and international efforts associated with incorporating efficiency into greenhouse gas reduction strategies. Schiller is the Principal of Schiller Consulting, Inc. and Senior Advisor, University of California's Institute for Energy and Environment; Board Director, International Efficiency Valuation Organization; UNFCCC CDM Executive Board Small Scale Working Group Member; and Entrepreneur in Residence - California Clean Energy Fund. Group Member; and Entrepreneur in Residence - California Clean Energy Fund.

Fry continued...

political history of beginning reform on municipal or provincial scale.

Fry holds an M.Phil in Economics from Cambridge University and a B.S. in Mechanical Engineering from Stanford University. He has been active in China energy projects and issues since 1984, when he was resident in Xi'an. He has been an active proponent of efficient energy production and use for 30 years. In his work at Nexant, he has focused on energy industry restructuring policies and regulations that encourage energy efficiency—with particular emphasis on demand-side management (DSM), environmentally friendly technologies, and private sector services. He also directs staff members in ten North American and three overseas offices who implement DSM programs and deliver management and strategic consulting services to energy sector organizations. He is presently building staffing capacity in Nexant's Shanghai office.

Ecos: Our Newest Corporate Partner

Energy efficiency solutions provider Ecos has become a Partner in the China-U.S. Energy Efficiency Alliance. As an Alliance Partner, Ecos will join a network of key stakeholders in the energy efficiency market in China and the U.S.

"Our membership in the China-U.S. Energy Efficiency Alliance furthers Ecos' position as a leader in energy efficiency, not just in the U.S., but globally," says Ecos President Jon Thomsen. "We look forward to working with our partners in the efficiency industry to bring forth innovative solutions that will help enable China to meet its energy needs while shrinking its carbon footprint."

The Portland-based company will be hosting an Alliance Roundtable in September 2009 to discuss DSM measures that can help China achieve its 2010 goal of reducing its energy consumption per unit of GDP by 20 percent.

"We are thrilled to have Ecos become part of our network of energy efficiency leaders," said Bryant Tong, Chair of the Alliance Board. "With the support of our Partners, the Alliance has been able to help China achieve significant reductions in energy demand and greenhouse gas emissions."

Alliance Fundraising Campaign

The Alliance is launching a new fundraising campaign this year to support efforts to help address China's growing energy problem and its implications for the global climate.

China faces many energy and air quality challenges and opportunities. The Alliance approaches these challenges using innovative energy efficiency programs, and forges strong and effective partnerships with high level Chinese officials at the provincial and central levels. With additional funding and support from new corporate Partners, the Alliance can help implement Jiangsu's blueprint, thus avoiding the construction of 26 coal-fired power plants and slashing its greenhouse gas emissions, and can work with other provinces to achieve similar results.

The Alliance would like to thank their current Partners for their ongoing support and dedication to energy efficiency and ask other corporations to consider a partnership with the Alliance. In addition to knowing that your financial support will

contribute to concrete reductions in energy usage and lower levels of pollution, as an Alliance Partner you will have the opportunity to:

- Network with key stakeholders in the energy efficiency market including Chinese and American officials, business leaders, utility companies, and high-tech and energy professionals;
- Improve your online presence and global visibility through recognition on the Alliance website and in other materials;
- Access exclusive, up-to-date insights on developments in China via the Alliance Monthly Reports;
- Receive invitations to Alliance special events.

For more information about becoming an Alliance Partner, please contact Fran Schulberg, Director of Operations at info@chinausealliance.org.

Note continued...

of being translated and we expect that it will be ready to be disseminated and used in training programs by the summer. This was a shining example of a collaborative effort of many key experts from the US and China, resulting in a text that describes best practices related to demand side management adapted to the Chinese legal, administrative and cultural situation. Two of the members of the DSM manual team are profiled in this newsletter.

There are a number of new activities that we will be reporting on in future newsletters. For example, we are developing pilot programs in two additional provinces, Hebei and Suchow, as well as in major cities in China.

I am very excited to welcome Mona Yew to our team. Mona is a Principal in Emerging Clean Technology Policy at PG&E and has many years of experience in energy efficiency program policy, planning and implementation, as well as process improvement and risk management. The Alliance really appreciates the support provided by our Founding Partner, PG&E Corporation, in

sponsoring Mona Yew to spend three months in Beijing to advance our DSM work in China, help with our pilot projects in Suzhou and Hebei, and work with our central and provincial government partners to develop supporting DSM policies and incentive measures.

I would also like to welcome our newest Corporate Partner, Ecos, who will be hosting our next Roundtable event in Portland, Oregon, tentatively scheduled for September (see note above).

Finally, I want to mention that we are in the process of launching a new outreach program to broaden our network and to attract additional Partners, in order to help support our expanding activities in China. I hope that you will check out our new website (chinausealliance.org) and will contact the Alliance if you would like to join the Alliance team or if you have any questions.


Roundtable continued...

When asked what Californians should be doing, **Commissioner Grueneich** responded that we must work together with China and India to tackle climate change. She explained that "we could do everything possible to address global warming in the US and unless China and India have fundamental changes in how they are going to go about using energy, it's not going to matter." She continued, "China really is looking to California because we are the leaders in energy efficiency. China is looking to how we do it." She noted that the Alliance is effective because China already embraces energy efficiency as a solution.

Commissioner Grueneich also described California's Long-Term Strategic Plan, explaining that it "will serve as a roadmap for how California will do energy efficiency through 2020." The plan sets out "incredibly far-reaching goals" such as zero net energy commercial buildings, that use an aggressive combination of energy efficiency and renewables. The plan also incorporates the idea of market transformation - that is, "how to use the private sector so that it is profitable to do energy efficiency." She added that the Alliance is working with the government of China at the provincial and central levels to develop a similar plan. Though China won't have the same strategic plan, they want to know what it looks like to have a roadmap for the most aggressive way to do energy efficiency.

Commissioner Grueneich also referred to two recently published reports, calling for a summit between the presidents of the two countries. Both reports say the best area for cooperation is energy efficiency. For more information about these reports, including where to find them, see the article "China Reports" below.

Commissioner Grueneich also mentioned the development of a web portal on energy efficiency to be launched in July by the CPUC to share technical information on energy efficiency. The portal will be an incredibly valuable tool for interactive exchanges with countries like China and India.

Mr. Ng was asked to provide his perspective as a businessman in California with a public conscience and to discuss what "drives him to have an interest in the China-California connection." Mr. Ng explained that in the same way the digital and internet movement "was the most important thing that changed the world in the last 20 years, green technology and energy efficiency will completely revolutionize the way we do business." And, he added, "California will be the hub of [the green] technology sector." California has the innovative talents and resources necessary to create green technologies that will help not only the US and China, but the world.

Mr. Ng was asked what the private sector needs from policy makers to make the pursuit of green even more profitable. He began by saying that green technology and clean energy is "good business, [and] when I say this is good business I don't mean just good business just for a profit, this is decent, humane business" and it provides an opportunity to create a tremendous amount of jobs. He noted that it will take time to create a sustainable business model and government support will be needed - especially for funding research and development efforts. Mr. Ng added there are more opportunities for adopting green technology in China and developing countries than in the U.S. because, unlike the U.S., they are still in the process of developing their infrastructure.

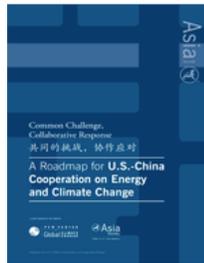
The China-US Energy Efficiency Alliance would like to extend our sincere appreciation to Southern California Edison and Sempra Energy for hosting the event.

The next Roundtable will be hosted by Ecos and will be held in Portland, Oregon on September 23, 2009.

We welcome suggestions for future Roundtable topics and speakers.

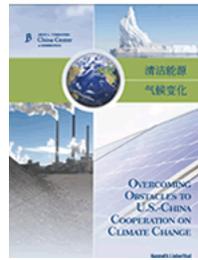
China Reports

As the world's top two greenhouse gas emitters, the United States and China play central roles in global warming. Two reports were released on January 29, 2009 that propose ways that China and the US could work together to curb emissions of carbon dioxide and other greenhouse gasses linked to climate change. In addition, the National Resources Defense Council (NRDC) released a report in February 2009 titled "Strengthening US-China Climate Change and Energy Engagement."



One report, "A Roadmap for U.S.-China Cooperation on Energy and Climate Change," is a joint project of the Asia Society and the Pew Center on Global Climate Change. The report recommends that the US and China work together toward the common goal of reducing their greenhouse gas emissions and provides a "roadmap" for the leaders of the two countries to begin to collaborate on projects on energy and climate change. It recommends that the first step is a leaders' summit to launch a "U.S.-China Partnership on Energy and Climate Change." The report also highlights priority areas and calls for the creation of both U.S. and Chinese Commissions, "two parallel groups," to direct the Partnership.

The other report, "Overcoming Obstacles to US-China Cooperation on Climate Change" is a project of the Brookings Institute. As the title suggests, the report provides guidance for



senior level officials to overcome cultural, political and economic obstacles preventing a high level of collaboration on climate change policy. The report presents nine ways to build political support in both countries for sustained cooperation on cutting emissions.

The NRDC report recommends nine key steps for the Obama administration, the U.S. Congress, and leaders in China to strengthen U.S.-China climate change and energy engagement. These policy recommendations builds upon NRDC's experience working in China for nearly 15 years, as well as three pivotal initiatives developed since 2006, including a detailed framework for U.S. legislation on climate change called "Blueprint for Legislative Action" released by the United States Climate Action Partnership (USCAP).

For more information please see:

<http://www.pewclimate.org/US-China>

http://www.brookings.edu/~media/Files/rc/reports/2009/01_climate_change_lieberthal_sandalow/01_climate_change_lieberthal_sandalow.pdf

http://docs.nrdc.org/international/files/int_09021801a.pdf

Recent Alliance Activities and Accomplishments

Finalization of the DSM Manual

The Manual has been translated and the National Reform and Development Commission (NDRC) is expected to approve the Manual this summer. The Manual will be used at the training sessions to be held throughout China over the next year. The purpose of the Manual is to provide concrete guidance for DSM efforts in China and help to ensure that DSM implementation will produce intended energy efficiency and emission reduction results, and to provide appropriate mechanisms for measuring and verifying these results.

Suzhou Pilot Project

Over the past year, Southeast University has worked with the local Suzhou government and the DSM Center to put together a strategic report with a potential analysis for the Suzhou Pilot Project. The Alliance and the NRDC are working together with the DSM Center, Energy Foundation, ERI and NDRC to develop an Action Plan for the Suzhou Pilot Project. The proposed Action Plan will focus on assisting Suzhou with: (1) funding mechanisms; (2) methodologies of performing EM&V; and (3) an information system with multiple functions including tracking, evaluating, and selecting EPP projects.

Hebei Pilot Project

The Alliance and the NRDC have been working with Hebei Province to assist them with the process of developing energy efficiency programs. Hebei, an industrial province, is one of seven provinces that did not reach the national energy reduction target in 2008. The Province is determined to improve its energy intensity, especially in its industrial sector.

Currently, Hebei has long-term and medium-term strategic plans for energy efficiency programs. The Alliance and NRDC provided feedback to Hebei about how to improve its strategic plans, and is now working with them to develop a funding mechanism. The next step is to work together with the DSM Center to assist Hebei with the development of an action plan.

The Alliance's New Website

The Alliance will launch its new website on May 15, 2009. The newly-designed site includes updated information, links to publications and events, quotes and images.

Our Partners

The Alliance would like to extend our appreciation to our Partners for their technical, financial and in-kind support.

LEADING PARTNERS



BINGHAM

SUPPORTING PARTNERS



PETER LIU

PARTNERS



"As an entrepreneur, I strive to build businesses that can provide great impact for our community. I support the China-US Energy Efficiency Alliance because it has a unique opportunity to help China develop a market opportunity to turn massive amounts of wasted energy into valuable resources and at the same time drive down global warming emissions to benefit the global community."

--Peter Liu,
Initial Founder & Vice Chairman New Resource Bank