

**Remarks by
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National Press Club
Washington, DC
January 17, 2007**

It's an honor to be acknowledged as a leading company -- especially when it comes from a leader like NRDC.

Our organizations have a long history of working together, and we've accomplished many things.

But to me, what is extraordinary is how we've done it.

We've put the tough issues on the table. We've challenged each other with hard questions. We've debated. And then we've come together and moved forward in those areas of common ground.

This is difficult to do. It takes tenacity. And most of all, it takes mutual respect, humility, patience, compromise and a willingness to take the long-term view.

Let's face it -- these qualities can be scarce in today's world.

And that's what makes the relationship between our organizations worthy of this occasion.

To be blunt -- in our country today -- we need more of this kind of constructive engagement, dialogue, consensus-building and action.

And we need it urgently.

I say this because we're confronting a historic challenge -- and it's going to require business, government, NGOs and our citizenry to work together with a common purpose.

Within the span of a generation, we need to transform the ways we provide for our energy needs.

If we rise to the challenge, we can head off the potential environmental disasters associated with global warming.

We can help secure America's long-term economic prosperity.

We can reduce our dependence on unstable or unfriendly parts of the world.

And we can even instill in our nation a new sense of global leadership.

The Challenge

As the head of a major energy company -- and also as an American and a great believer in our nation's unique place in the world -- I believe the United States has a responsibility to be at the forefront of this effort.

If you look at U.S. greenhouse gas emissions compared with other nations, the amount is vastly disproportionate to our population. Our emissions are higher than those of China and India combined, where the population is more than 2.5 billion people.

If you look at our wealth and prosperity relative to other nations, it's clear that we can afford to make a difference.

And, if you look at our tremendous capacity for innovation, it's clear that we have the human capital to develop the solutions. By signaling to the market that we're serious about progress on clean energy, we can stimulate investment and engage our best and brightest in this effort.

But we must act today.

Atmospheric greenhouse gas levels are already 54 percent higher than before the Industrial Revolution – and they're continuing to rise. A report by the British Government predicted that greenhouse gas levels could double between now and 2035.

Somewhat controversially, this report also warned that global warming – left unchecked – could ultimately consume 20 percent of the world's economic output.

So the time to move is now. The longer we wait, the costlier the solutions will likely become. On the other hand, by acting now, we preserve valuable response options. We narrow the uncertainties. And we avoid the economic and social dislocation of drastic changes later on.

So where do we start?

Federal GHG Targets

When our country has achieved great things, we've done it because we had a clear, long-term goal. We then unleashed the power of our public and private sector resources to get the job done.

This challenge is no different. That's why I believe we need the federal government to establish long-term national targets and timetables for reducing greenhouse gases.

It would create clarity for business. It would create consistency, by avoiding a state-by-state patchwork. And it would create focus for a comprehensive national energy strategy.

In particular, it would allow us to move forward with a national cap-and-trade program, which we strongly support.

The federal government should embrace real and mandatory caps on greenhouse-gas emissions.

This legislation should involve all sectors of the economy. It must be flexible and wherever practical must include market-based strategies. And it must give credit to those who have already invested in emissions-reductions.

I'm an optimist. But I'm also a realist.

And it's clear to me that we won't be successful over the long-term without this type of national requirement.

Energy Efficiency

Another priority must be a national full-court press on energy efficiency.

A recent McKinsey study said that, through energy-efficiency, we could reduce the growth rate of worldwide energy consumption by more than 50 percent over the next 15 years. And McKinsey said we can do this using the technology we have available today.

A major step toward unleashing this progress would be federal action making it easier for utilities to actively advocate energy efficiency.

PG&E has been doing this for three decades.

Our energy efficiency programs have already prevented 61 million tons of greenhouse gas emissions. They've also helped California escape the need to build 24 additional large power plants. And they've saved customers billions of dollars.

The reason we can do this is that, under state law, our revenues are set at a fixed level by regulators.

We collect what we need to run the business and provide a fair return to investors. Any overruns go back to customers. Any shortfalls get recovered later.

This means our financial health doesn't depend on selling more energy. So it eliminates the obvious financial disincentives that otherwise stand in the way of encouraging customers to use less of our products.

Experience shows that this empowers utilities to become some of the most effective advocates for energy efficiency.

This is especially true when you package this policy with incentives for utilities.

We should provide them an opportunity to earn a return on investments that save energy, just as they do when they invest in a new power plant. Let's tie that earnings opportunity directly to how well utilities help customers reduce their bills.

A number of states are already moving in this direction. I would like to see the Congress bring all 50 on board by incorporating this policy into federal law.

The federal government also should advance energy efficiency by adopting national standards for buildings and appliances.

PG&E and NRDC have worked together for decades to help both state and federal authorities set better standards. Progress at the federal level has lagged recently, and we urgently need to resume it.

Aggressive standards and incentive programs are a big reason that per capita energy usage in California has remained flat over the past 30 years, while the rest of the nation has increased its usage by 50 percent.

Raising the bar at the national level will lead to new investment in next-generation energy efficient technologies.

Specifically, we support extending the federal tax incentives for increasing efficiency in new buildings and equipment.

We worked with NRDC to get these enacted in 2005. We need to ensure they stay on the books.

Washington can also help by reversing the downward trend for R&D spending on new energy technologies. The federal budget for all energy R&D is less than half what it was 25 years ago, adjusting for inflation.

These steps would create jobs and deliver environmental benefits. They would also enhance our competitiveness in the global economy, where clean technology is going to be a major growth area.

Renewable Energy

The second area that demands our attention is renewable energy.

As with energy efficiency, the latest research suggests we can be doing a lot more with what we have available today.

Currently, the U.S. is getting about 9 percent of its electricity from renewable sources. Excluding hydroelectricity, that figure is a little more than 2 percent.

A number of states have set targets for increasing the supply of renewable energy. In California, our target is to deliver 20 percent of our energy from renewable sources by the year 2010, excluding large hydroelectric sources.

PG&E is on track to meet this goal – and a number of other utilities are on track to meet the targets in their states.

But the federal government can make a tremendous contribution here.

A positive step would be extending production and investment incentives for renewables for more than one year at a time.

This would provide much-needed certainty for investors. Let's extend the incentives long enough to reduce the cost of technology development and encourage fuller deployment.

I would suggest we consider going a step farther. Hand-in-hand with incentives, let's set a federal renewables target and a timeline. Senator Bingaman has proposed this, and we support it.

Washington can also play a role in researching and developing next-generation renewables.

I'm particularly intrigued by solar thermal technology. PG&E is also exploring the possibility of tidal and wave power off the coast of San Francisco.

Eventually we'll find out if these and other promising new sources are truly viable. But the sooner we can develop a good understanding of their possibilities, and their relative costs and benefits, the sooner we will be in a position to move forward.

So let's put our national R&D budgets to work on this challenge.

Clean Conventional Generation

It's also critical that we look at cleaner conventional power sources.

A strong start would be driving new efficiencies in natural gas fired turbines.

We also need to facilitate development of new supplies and new infrastructure.

Again, federal investment and policies that support efforts in this area would be a positive step.

We are also hearing the beginnings of a national conversation about the future of nuclear power in our country.

The advantages of nuclear power in a carbon-constrained world are considerable. But nuclear power also faces considerable challenges.

For now, we believe it's an option that should be on the table along with all others. But ultimately, nuclear power will have to compete with the other potential solutions that I'm outlining here. The winners and losers will eventually emerge on their own merits.

We also have to address the challenges of coal.

About 40 states rely heavily on coal for their electric power. So it's critical that we accelerate efforts to understand the feasibility of advanced coal technologies that are truly clean.

Right now, carbon capture and storage technology is expensive and still in early development. It's uncertain whether it can work on a broad scale over the long term.

I am cautiously optimistic. But what is certain is that the federal government can help us get the answers more quickly.

Policy makers should fund large-scale development and demonstration programs. They should also establish the rules for how carbon dioxide must be captured, transported and stored.

Advanced Transportation Technologies

Another area where we can partner is the promotion of plug-in hybrid vehicles.

I'm very excited about this opportunity.

More efficient cars have the obvious benefit of reducing oil use. But this technology could also help the power grid.

When the cars are not in use, energy from the batteries could be uploaded back to the system, reducing the need for peak power generation. This is important, because peak power often comes from the least efficient and least clean resources on the grid.

We've joined an effort to help establish consumer demand and the infrastructure to support this emerging technology.

A couple weeks ago, we also supported Governor Schwarzenegger's low carbon fuel standard. We believe this is a positive step to accelerate adoption of plug-in hybrids, as well as other cost-effective ways to reduce oil dependence and address climate concerns.

Transparency

Another essential action item is transparency.

Washington should help establish reporting processes, protocols and standards to ensure that businesses in all sectors report and certify their greenhouse gas emissions.

In 2003, PG&E became California's first investor-owned utility to certify its inventory of greenhouse gas emissions.

The nation needs to do this on a broad scale, for a couple of reasons.

First, unless we know exactly where the nation's emissions are coming from, we can't make smart, cost-effective decisions about where to make reductions.

Second, we need to ensure that companies get credit for taking early action.

Right now, companies have no widely accepted way of measuring and recording the reductions they make. That means their efforts today may or may not be recognized in the future.

So some companies are holding off until they have greater clarity.

PG&E isn't waiting.

More than half of the energy we deliver comes from non-greenhouse-gas-emitting resources. And we're continuing to take steps to find additional reductions.

But it's critical that we send a clear positive message to companies who may be sitting on the fence, concerned that they will be penalized for taking early action.

We can't afford to have this obstacle in place. And the federal government has the power to remove it.

The Time Is Now

In the year ahead, we look forward to working with members of Congress and others to tackle the challenges I've outlined.

This brings me back to the reason we're here this morning.

Our country has a historic opportunity to change the way we use energy.

The optimist in me is certain that we're going to achieve this goal over the course of the next generation.

That we will avert the dangers of global warming.

That our economy will lead the clean energy revolution, just as we've done in hi-tech and biotech.

That we will become more energy self sufficient, to the benefit of our national security.

And that the rest of the world will follow our lead.

But the realist in me knows that we can't take this outcome for granted. Achieving it will be incredibly difficult.

And that's why we have to come together as pragmatic, responsible participants in this effort.

We have to engage in the same kind of constructive debate, consensus-building and cooperation that this award acknowledges.

On behalf of PG&E, I want you to know that not only are we accepting your appreciation for past accomplishments, we're also embracing the responsibility to continue that leadership into the years ahead.

Thank you.

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