UNC/jt2 8/21/2013



#### BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Address Utility Cost and Revenue Issues Associated with Greenhouse Gas Emissions Rulemaking 11-03-012 (Filed March 24, 2011)

#### ADMINISTRATIVE LAW JUDGE'S RULING SUPPLEMENTING THE RECORD

Decision 12-12-033 (the decision) adopted a high-level procedural roadmap for customer and outreach activities in 2013 and beyond to communicate necessary information about the return of greenhouse gas revenues to customers of the investor-owned electric utilities (IOUs). As a part of that roadmap, the decision ordered the IOUs to engage a firm with marketing and public relations expertise that would be responsible for proposing expanded customer education activities through 2013. In addition, the marketing and public relations firm was required to evaluate the feasibility and potential advantages and disadvantages of the use of a third-party administrator for customer outreach and education activities.

The final scope of work was to be developed and approved by the director of the Energy Division. The marketing and public relations firm's findings were to be submitted in the form of a final report to the IOUs, community choice aggregator and direct access providers, and the director of the Energy Division by July 1, 2013 for use in developing the IOUs' customer outreach and education plans for 2014-2015, which are to be submitted by application on September 1, 2013.

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In April of 2013, the IOUs retained the services of TargetBase to undertake the scope of work required in the decision. TargetBase compiled its findings into a report, and the report was served on parties of Rulemaking 11-03-012 on July 1, 2013, as required by the decision.

By this ruling, the final report of TargetBase (and all associated attachments), entitled California Climate Dividend Public Outreach Program Strategic Map Report (report), is incorporated into the record of Rulemaking 11-03-012. The report and associated attachments can be found in Appendices 1-5 to this ruling, as set forth below:

Appendix 1: California Climate Dividend Public Outreach Program Report & Strategic Road Map (Full Report)

Appendix 2: California Climate Dividend Public Outreach Program Report & Strategic Road Map (Light Report)

Appendix 3: California Climate Dividend Public Outreach Program Strategic Road Map - Section 9: Appendix

Appendix 4: California Climate Dividend Public Outreach Program Style Guide

Appendix 5: Creative Brief for the California Climate Dividend Awareness Campaign: "Footprint"

The final report and all appendices will also become part of the record to the customer outreach and education plans applications to be filed on September 1, 2013 by the IOUs and will be considered in detail as a part of those applications. Therefore, party comments on the contents of the report are not sought in Rulemaking 11-03-012 at this time. Any party that objects to the inclusion of the report into the record of Rulemaking 11-03-012 may make their objections known through the filing of written comments within five days of the issuance of this ruling.

#### IT IS RULED that:

The July 1, 2013 final report of TargetBase on customer outreach and education activities, entitled California Climate Dividend Public Outreach Program Strategic Map Report, and all associated attachments, attached hereto as Appendices 1-5, is added to the record in Rulemaking 11-03-012. Any party that objects to the inclusion of these documents into the record may make their objections known through the filing of written comments within five days of the issuance of this ruling.

Dated August 21, 2013, at San Francisco, California.

/s/ MELISSA K. SEMCER

Melissa K. Semcer Administrative Law Judge

R.11-03-012 UNC/jt2

#### Appendix 1: California Climate Dividend Public Outreach Program Report & Strategic Road Map (Full Report)





Targetbase is a customer engagement agency that uses data and insights to develop and execute customer solutions.

7850 North Belt Line Road Irving, TX 75063 972-506-3400 Targetbase.com

In April 2013, Targetbase was awarded the Strategic Road Map to provide guidance for a 2014–2015 (and potentially beyond) education and outreach plan in support of California's cap-and-trade program and the distribution of greenhouse gas (GHG) allowance revenues.

The California Public Utilities Commission (CPUC) in Decision (D.) 12-12-033 requires that education and outreach activities, for 2014 and beyond, seek to expand awareness about the purpose and value of GHG allowance revenue in order to achieve the goal of section 748.5(b) of the California Public Utilities Code of "maximum feasible public awareness of the crediting of greenhouse gas allowance revenues." While the education and outreach plan must strive to meet that broad objective, it should also set an intelligent balance between the costs involved with outreach and the fact that the associated communications budget will be deducted from the revenues to return to customers. – *California's Climate Dividend Public Outreach Program: Request for Proposals*  This California Climate Dividend Public Outreach Program Report, informed by data collection from quantitative, qualitative, and existing third-party research, addresses the task by delivering a strategic framework, suggested tactics and channels, a high-level creative concept, and a plan for implementation.







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Section 1

Overview

# **Executive Summary**

THE GOAL OF THIS STRATEGIC ROAD MAP IS TO PROVIDE A VALID, DATA-DRIVEN PLAN FOR INFORMING AND EDUCATING CUSTOMERS ON THE CALIFORNIA CLIMATE DIVIDEND. Successful communications requires tapping into customers in a way that captures their attention and resonates with their mind-set and needs. The recommendations provided in this report are the result of a review of available market data, a survey of California electricity customers, and conversations with customers through qualitative research to achieve this task. The end result is an understanding of the conditions for communicating the program and, more important, the needs and core desires of customers.

Through a robust process of discovery and data collection, the challenge of communicating to a broadly distributed and highly diverse population became very evident. The dynamics of a modern, demanding life require customers to divide limited amounts of attention among numerous tasks and topics. They process information quickly to understand what it means to them, their lives,

their families, and their communities. To do so, customers consume media and messages from a wide range of sources and a broad set of communication tools. They learn from their friends and share their opinions freely. And they tend to pass judgment quickly on the value of a message for themselves and others. This means any program outreach needs to be very clear, very pointed, able to convey an idea through a range of channels, and easily shared between customers.

It therefore becomes essential to understand the mind-set and needs of customers to craft a message they can understand and relate to in these complicated conditions. A great deal of focus in preparing this Strategic Road Map was getting to customers' core desire, to learn how they will perceive the Climate Dividend and if that perception can be clarified and enhanced by how the dividend is portrayed and presented. It became evident that the great majority of customers have a deep and fundamental desire for a healthy environment. While it is important to them, it is even more important to their families-to future generations. They show a wish to see that solutions to problems like climate change are in place and have a demonstrated desire to contribute to those solutions, even if it might be in small

ways. It became equally clear that the cap-andtrade program posed challenges to customers in terms of comprehension and acceptance. The complex nature of the program, along with the rather abstract connection between the mechanics of the program and how they lower greenhouse gas (GHG) emissions, appear to cause customers concern and confusion. Surveys confirmed that customers are satisfied with less information and dissatisfied with or even dissuaded by too much. However, the outcome of the cap-andtrade program was highly desirable. Reduced greenhouse gas emissions meant, for customers, cleaner air, a healthier environment, and even a possible solution to climate change. Given this core desire among customers, and the challenging conditions of the marketplace, it was determined that informing and educating customers on the California Climate Dividend should be done through a positive tone and a solution-oriented focus. Ultimately, customers understood and could relate to lower GHG emissions as "clean air," Because they associate the dividend with clean air, communicating about climate change and reduced GHGs when addressing the Climate Dividend is important. Customers simply want to be informed that climate change and air quality are being

addressed, and not inundated with details of cap and trade or revenue allocation. And while some information on the specifics of the dividend were helpful, they expressed more desire to learn how they could shrink their own carbon footprint with everything from moderate behavioral changes to large-scale energy solutions.

## As a result, the recommendation is to equate the CA Climate Dividend with a positive sign of cleaner air.

program benefit and to encourage further education Map will capture the attention of customers through show how to create the clearest perception of this access, self-service channels in order to increase them to dig deeper on their own through easy-toon the Climate Dividend, the topic and content of communications will bridge to GHGs and climate The Strategic Road Map will show how to deliver a clear and compelling message and encourage overall benefit of cleaner air and climate change mitigation. So, while the focus of the outreach is and engagement. Executing this Strategic Road their level of knowledge and their ability to lower effective communications with minimal detail on technical information and instead focus on the solutions. The concept and tactics developed



 GHGs. In the end, customers will contribute to the ultimate objective of AB 32 with their collective alignment and support.

## Assignment and Findings

Specific requests made within the assignment are summarized below. The details and rationale for arriving at these findings, conclusions, and strategic recommendations are contained within the body of this report.

Request 1: Understand audience perceptions and connections to California's Greenhouse Gas Cap-and-Trade program, climate change, and the residential Climate Dividend in particular. Findings:

- A strong majority of Californians believes it is necessary to immediately take steps to curb global warming.
  - The majority supports solutions to climate change, but is concerned about impacts on jobs, businesses, consumer costs, and the economy at large.

- Californians are largely unaware of the capand-trade program. Providing them a basic description of cap and trade leads to a mostly favorable view. However, when presented with more details, their perception turns negative.
  - When asked for their reaction to seeing a "Climate Dividend" credit on their energy bill, the majority either had something positive to say about the Climate Dividend or would like to know more about it (both before and after a description of the program).

Request 2: Set achievable objectives for outreach and education activities in 2014 and 2015. Findings:

- When informing Californians on the purpose and value of the Climate Dividend, the most useful objective is to raise awareness and educate them on reduced GHGs, improved air quality, and solutions to climate change, in addition to providing details on the bill credit.
- Attempting to educate customers on the policies, mechanics, or logistics of the capand-trade program was proven to be an ineffective objective.
- Other identified objectives include: be costefficient with outreach efforts, execute the program in a competitively neutral way,

increase awareness of the costs of GHGs among customers, and enable customers to learn more about revenue allocation.

# Request 3: Define strategies geared to those objectives.

### Findings:

- Research and consideration for the objectives
   of AB 32 have led to a strategic approach that leads with the benefit and delivers additional detail throughout the campaign:
- Position the Climate Dividend as a positive sign of cleaner air.
  - Inform and educate that climate change is being addressed.
    - Keep details to a minimum and highlight the overall benefit.
      - Enable customer exploration of deeper
- information. • Encourage participation in customer GHG reduction.

## Request 4: Articulate main and secondary messages to achieve overall outreach and education objectives.

## Findings:

 Start with and build on the ultimate benefit of cleaner air to connect quickly and easily to customers.

- Share information on the credit, such as how much, how often, and who gets it.
- Tell customers about GHG-reduction solutions.
   Share details on the dividend over the life
  - on the campaign its logistical elements, its of the campaign — its logistical elements, its source in cap and trade, and its connection to GHG reduction among industries and businesses.

## Request 5: Assure cross-cultural relevance and impact.

### Findings:

 A thorough review of the population of California shows that using the right mix of channels, partnering with community-based organizations, and creating non-English communications will sufficiently reach Californians in culturally relevant ways.

### Request 6: Recommend advertising and public relations tactics (link to other statewide marketing, education, and outreach programs) Findings:

- The recommended tactics are designed to gain maximum broad-based awareness in a fairly short time and, over the life of the campaign, encourage more response and interaction.
   Tactical recommendations include:
  - Widely deployed and easily recognizable



iconic representation of the Climate Dividend Response mechanisms embedded into

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- advertising communications
- Shareable assets to encourage word of mouth
   A centralized website to provide in
  - depth information and encourage/enable customer GHG reductions
    - Communication channels include:
       Broadcast media, outdoor channels,
- online advertising, and search engine optimization to impact a cross-section of the general public
- Communications on and in electricity bills, which are capable of reaching all customers but are expected to raise awareness roughly 25%
- Additional outreach through localized channels and community-based organizations and in multiple languages, to extend reach to ethnically diverse and hard-to-reach customers
  - naro-to-reach customers
     Social media and PR efforts to generate valuable earned media
- Messaging will take a top-down approach, showcasing the Climate Dividend as a sign of a viable climate solution that results in lower GHGs, which for customers means clean air.

- Message timing will coincide with the credit to elevate customer awareness at the most appropriate times.
- Messages evolve over time to shift from general awareness of the Climate Dividend to a more action-oriented approach.

## Request 7: Establish budget options and allocations to implement proposed strategies. Findings:

- Budget levels are provided based on achieving a peak level of awareness during dividend delivery periods.
- Budgets show a breakout by channel/tactic to provide a way to scale resources appropriately
- Budget levels are set in consideration of a balance between maximum feasible awareness and total cost.
- A "cost per customer" perspective shows the relative level of spend against the whole state to illustrate impact vs. spend.

## Request 8: Establish metrics and the best way to evaluate results. Findings:

- The primary metric has been set as aided awareness during campaign periods.
- Generalized estimates for achievable levels of

awareness are provided based on a given level of marketing spend through the recommended channels.

- Results as high as 58% aided awareness during campaign periods are possible.
- Set benchmarks initially and optimize campaign over time to improve results.
   Include campaign objectives such
  - include campaign objectives such as impressions, click-throughs, website visits, etc.
- Conduct tracking study coinciding with the dividend distribution.
- dividend distribution.
   Key metrics for the tracking study include:
  - Unaided awareness
- Aided awareness
- Reaction (sentiment)
- Sought more information
- Where information was sought
- Reaction to the additional information source
- Intent to seek more information
- Use a holistic view of all results to drive most effective spend.

### Request 9: Define the right program architecture and organization to achieve the metrics.

rue meuco. Findings: Run the statewide campaign, including development of creative assets and

management of broad outreach media, through a central agency.

- Messaging needs to be consistent and cohesive across the state.
- Media purchases need to be conducted at a statewide level to procure the best buy and coordinate reach and timing.
- The energy companies will manage bill communications and customer conversations through their typical customer-interaction channels using materials and guidance from and in coordination with the central administrator.
- The energy companies will also manage localized and community-based outreach, as they are best equipped to adapt the standard materials to regional needs, including language translation and other cultural enhancements.

Request 10: Evaluate various off-bill methods of returning the residential Climate Dividend to households.

- Findings:
  A set of delivery methods was researched to understand the pros and cons of each, including impact on perception and cost/
- requirements to execute.
  Based upon research and customer input, the energy-bill credit remains the recommended delivery method.



 Effective delivery, environmental sensitivity, mil and the ability to execute efficiently were be all key drivers, even if customer impact the might be less significant.

# Background

Assembly Bill 32 or AB 32, set standards to reduce public to create a solution for reducing greenhouse environment became clear. In order to achieve this gases, decreasing air pollution, and protecting the these are already in place and currently impacting goal, the agency responsible for implementing AB in 2006, California passed landmark legislation to Proposition 23, which would have suspended AB GHG levels for California to those of 1990 by the to this freeze of AB 32, the desire of California's reduce GHG emissions in the state. The Global 32-the California Air Resources Board (ARB)year 2020. This bill was challenged in 2010 by 32. With almost 62% of Californians voting no solutions, and forestry sequestration. Many of developed a series of key initiatives, including Marming Solutions Act of 2006, also called energy-efficiency programs, transportation customers and businesses in the state. The problem AB 32 is meant to address appears to be growing in importance. In early May of 2013,

worldwide carbon dioxide reached 400 parts per million at a Hawaii station that sets the global benchmark. This is a concentration not seen on the planet in millions of years. California alone is responsible for more carbon dioxide pollution than all but 20 of the world's countries.<sup>1</sup> Perhaps the most complex of ARB's initiatives aimed at reducing GHG emissions is its cap-andtrade program. California's cap and trade, designed to work in tandem with existing policies, creates an economywide cap on major sources of GHG emissions. Entities that operate under the set cap are issued a limited number of tradable permits (allowances). A market is created for these GHG allowances, which in turn encourages industries to make efficient decisions to reduce their emissions. As the currency of the cap and trade, allowances are distributed by ARB and traded among energy providers and capped entities. Any revenues that the utilities receive through the cap-and-trade program will ultimately be returned to rate-paying customers. According to CPUC Decision 12-12-033, ARB granted "a direct allocation of allowances for the purpose of protecting electricity customers and advancing AB 32 objectives" to electric distribution utilities, including investor-owned utilities (IOUs).

Included in the decision is the mandate for customer education "to maximize feasible public awareness of the distribution of GHG allowance revenues to ratepayers." IOUs will conduct a modest and targeted interim round of outreach in 2013. This effort will focus on informing customers that the California Climate Dividend that appears as a credit on their bill is the allocation of revenues from the cap-and-trade program. In addition, Decision 12-12-033 states that for 2014 and beyond, the public education component should be expanded to include awareness about the purpose and value of the GHG allowance revenue.

The idea of expanding on customer awareness in a robust and comprehensive manner provides the opportunity to review what is truly intended by AB 32, in terms of customer perception and participation. After all, this is a statewide initiativeaffecting and benefiting all Californians—that can be greatly enhanced through the public sector. This California Climate Dividend Public Outreach Program Report will serve as the guidebook for these education efforts. A variety of data and information has been used to establish a strategic coad map for customer outreach. It details guidelines for execution, descriptions of targets, creative concepts, and information on channels, tactics, timing, and metrics for an efficient and

effective implementation. The scope and scale of this road map reflects its mission to help the state of California fulfill the noble and aggressive goals of AB 32.

# **Program Objective**

"expanded in 2014 and beyond." Expanding these on the purpose and value of the Climate Dividend awareness-should include informing Californians customer knowledge collection, there has been a The primary objective for the customer education public awareness" of the dividend. As discussion consistent focus on how to best interpret and act customers on the CA Climate Dividend. Section customer outreach plan for "maximum feasible Throughout the process of data discovery and 748.5(b) of the California Public Utilities Code asks for the adoption and implementation of a among involved parties hinged on what would make a program feasible, CPUC Decision 12-12-033 has allowed customer education to be component of AB 32 is to inform and educate outreach efforts- in effect, maximizing public on these objectives for the program overall.

What customers are informed about is certainly as vital—if not more vital—than how they are



informed. A look at the bigger picture related to the Climate Dividend shows how this might be addressed successfully by informing and solutions to climate c Customers have sho them on the details o how it works, or how it, create confusion a desire, which appear problem, is not addre fact, such in-depth in detract from the over

One important consideration in the development of this road map has been how to make the very most of this opportunity to communicate with energy customers. Likewise, it has been a key objective to do so in a way that leads toward

positive outcomes and minimizes time-consuming, expensive ones. Looking at the data and evidence available through a variety of market channels and in direct conversation with customers has led to one conclusion: The best, most useful objective is to educate customers on the ultimate focus of AB 32 – reduced GHGs, improved air quality, and solutions to climate change.

Customers have shown that attempts to educate them on the details of a cap-and-trade program, how it works, or how revenues are generated by it, create confusion and even concern. Their core desire, which appears to be a solution to the GHG problem, is not addressed by this approach. In fact, such in-depth information appears to actually detract from the overall potential success of the program. When given too much explanation, customers indicate they would investigate the policy and the politics behind it, with a tendency toward suspicion and even protest. Successfully informing and educating the customer implies they will have a level of awareness of the Climate Dividend and what it represents, as well as a level of knowledge about the goal of GHG reduction. The strategic road map within this report will share a data-driven approach for customer awareness and engagement suitable for the overall program objective.

### **Additional Objectives**

In addition to educating customers on the larger solution to GHG emissions and showing how the Climate Dividend is connected to it, there are additional objectives and direction within Decision 12-12-033 that have informed this strategic recommendation. These include:

# MAINTAIN THE PRICE SIGNAL

While this is an essential element of cap and trade, and needs to reflect the costs of GHG inherent in many products and activities, it is a difficult objective to deliver on when customer costs are being offset by the dividend. This strategic road map will attempt to maintain the spirit of a price signal while not alarming customers about rising prices. Through the process of raising customer awareness, the solution will explore how the dividend can serve this purpose while mitigating potential public concern.

## MAXIMIZE BOTH AWARENESS AND RETURN OF REVENUES

The efforts required to educate customers should be balanced against their costs—for the more the ME&O effort costs, the less remains for the customer dividend. The strategic road map will seek to leverage public interest in the Climate Dividend in an optimal way to drive self-directed education on its purpose and meaning, thus lowering the need for (and costs of using) other media channels to perform this function.

# **PREPARE FOR PRICE INCREASES**

Customers are receiving the dividend as a method for offsetting the costs that are expected to rise as the result of AB 32. While this could be directly addressed in outreach communications, research shows that this does little to lend confidence or create a perception of fair compensation. Instead, implying the offset through the language of "incentive" or "clean air credit" gives customers a greater willingness to embrace the dividend, use it to help in the overall solution, and, in general, show a higher level of support for the program overall. The outcomes include not only using the money but also using it in a GHG-conscious manner.



## REVEAL THE APPROPRIATE ALLOCATION OF REVENUES

Customers are receiving a financial benefit from the cap-and-trade program. While this general idea will be part of how the dividend is positioned and presented, it will also be addressed more specifically within certain customer-communication venues. As a general rule, customers should know that the dividend is delivered in equal amounts to all electricity customers twice a year. However, within certain channels (such as a website), the detail on revenue allocation will be more fully outlined and explained.

# EXECUTE PROGRAM IN A

**COMPETITIVELY NEUTRAL WAY** A large number of electricity providers operate throughout California, representing a range of services, styles, and customer relationships. It is important to ensure that the strategic road map is developed in such a way as to communicate with customers regardless of the electricity provider they work with, and in a way that doesn't promote one form of provider over another. The solution will address this issue by focusing on the customer first, outside of the context of their provider, and apply proven techniques for communications in a broad outreach perspective rather than an "energy company centric" way.

# Looking Ahead

The California Climate Dividend Public Outreach Program Report lays out the process used from initial ask through the development (and eventual rollout) of a viable, optimal communication platform. Included are insights into the market and customer conditions in California. With that information, an overarching strategic plan, customer target groups, creative concepts, a plan for implementation (including recommended tactics and channels), and measurement guidelines were built—to give the IOUs, ESPs, CCAs, and DAs of California the tools required to fulfill the mandate set out by CPUC Decision 12-12-033 and, ultimately, the goals of AB 32.





**C6** NO OTHER STATE in the nation has the wealth, resources, entrepreneurial spirit, and innovative history that enable California to maintain its distinctive appeal to the rest of the nation. As time passes, and more come to share in that success, the Golden State's appeal can only be expected to grow.

-FIRST TUESDAY JOUR

All and all

California

Imate

Dividend Public Outreach Program

Section 2

Market and Customer Conditions

# Situation Analysis

Before setting out to achieve the goal of maximizing public awareness of the distribution of GHG allowance revenues, it's important to understand the conditions that the efforts will have to accommodate. For successful outreach and education, keep in mind the challenges that the vastness and diversity of the state bring. However, of all the states in the country, California is best suited and poised to address this problem with intelligence.

## The State of California

Alaska leads the nation in area. Texas is known for its varied topography and New York for its cultural and linguistic diversity. Yet no other state possesses

all of these – plus an 840-mile coastline – as the Golden State does.

California is the nation's third-largest state in land area with approximately 160,000 square miles. It is a state whose diverse topography includes mountains, fertile valleys, deserts, volcanoes, and coastal areas. And it is home to both the highest (Mount Whitney) and lowest (Death Valley) points in the 48 contiguous states. The mere size of the state can make it difficult to communicate well with all its residents. Added to that is the geographic diversity that can serve to isolate certain groups, making it necessary to reach out to the people of California in a variety of means. California currently boasts the largest economy in U.S. and the ninth-largest in the world. Even though it was one of the states hardest hit by the 2007–2009 recession, it is on a slow economic upturn.<sup>1</sup> In fact, by 2014, all counties in the state will be participating once again in economic expansion.<sup>2</sup>



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According to the February 2013 forecast by the Business Forecasting Center at the University of the Pacific, job growth in California will remain steady over the next several years at 2%.<sup>3</sup> The unemployment rate fell 1.5% in the last year<sup>4</sup> and is predicted to average 9.7% in 2013 and 8.4% in 2014<sup>5</sup>. With a 2012 private-sector payroll increase of 2.6%<sup>4</sup> and an accelerating housing recovery.<sup>2</sup> the economic outlook for California in the coming few years is positive. In light of this economic upswing, day-to-day obligations and facing an increasingly cluttered media market.

## WHAT IT MEANS

There are built-in challenges to any communications effort in California. The vast size and geographic diversity require using a variety of channels to reach the entire population, and the hectic pace of life in the state (including the media market) forces messages to be succinct and memorable to achieve breakthrough.

## The People of California

## WHO ARE THEY?

More than 38 million people currently live in the state of California. The diversity of California is reflected in their varying income levels, their political affiliations (as of May 2012, 3.7 million declared Independents, 5.2 million Republicans, 7.4 million Democrats<sup>6</sup>), their interests, and their professions. The state boasts innovators, farmers, entertainers, and working families. Californians own and run businesses, labor in the farmlands and wineries, participate in politics and policymaking, and more. As the nation's most populous state - home to one out of eight Americans -- it has also historically been one of the most culturally and ethnically diverse. Made up of large groups of immigrants from over

More than **38 milion** people currently live currently live in the state of California



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60 nations, the state population is expected to continue to diversify over the next 20 years.<sup>7</sup>

# ETHNIC COMPOSITION

Currently, non-Hispanic whites make up less than 40% of the California population.<sup>9</sup> By early 2014, the California Department of Finance projects Latinos will replace whites as the largest ethnic group for the first time since California became a state.<sup>9</sup> California is one of only five states in the U.S. with a minority majority – ethnic minorities constitute more than half of the state.<sup>8</sup>

0.5% Native Hawaiian and Other Pacific Islander



This diversity brings with it linguistic and cultural considerations. In communicating with and educating the people of California, it's important to keep in mind that even though 61% of California adults speak only English at home, 39% speak another language. The largest group of those speaks Spanish (either in addition to English or exclusively), followed by Vietnamese.<sup>10</sup>

Much of these non-native English speakers are considered hard to reach—isolated from much of the state linguistically, culturally, and/or geographically. Twenty-nine linguistic or cultural groups comprise the hard-to-reach population in California, including Native Americans and indigenous immigrants from Mexico. In fact, in 2007, 334,609 families in California were linguistically isolated, speaking one of the top 27 languages in the state.<sup>11</sup> The state's large Native American population mostly speaks English, but is isolated because of culture and geography.<sup>12</sup> An additional special challenge found in these hard-to-reach populations is the cultural diversity present even between groups of speakers of the same language.<sup>13</sup>

> Source: United Stated Census Bureau, "State & County Quick-Facts: California," [website] <http://quickfacts.census.gov/qfd/ states/06000.html>, accessed June 13, 2013.

## Information seeking

increasingly complex lifestyles, so are their communication reachable via mobile channels, as they own smartphones media, mobile, and digital channels. That being said, it is and go online from mobile devices at a rates similar to or important when planning the channels of communication choices. Californians, including the linguistically isolated, As the people of California are diverse and varied, with report having a computer at home, compared with 75% of African-Americans, 87% of Caucasians, and 89% of seek information in newspapers and on television at a Asian-Americans.<sup>15</sup> However, the Latino community is to keep in mind that only 52% of Latinos in California lower rate than the rest of the U.S. population.<sup>14</sup> This is, perhaps, due to an increased reliance on social ust higher than all other groups.

# **GROWING, FLOURISHING—AND AGING**

Arabic media reach 76% of all Arab-Americans

The reach of Spanish-language media is atmost universal among Latino Americans, 87% of atmost regularly access Spanish-language TX, radio, of al aduts Spanish-language TX, radio, or pagers,

More than a quarter (20%) of Latino Americans prefer

TV is the preferred medium for Arab-Americans

Almost a quarter (23%) of Native America Primarily roads ethnic newspare

Vietnamsse-American acturation in the paper on a static to a static to a static to a static to a static paper on a stati

28% of Korean. and Ohinese-Americans watch their native. language TV stations more than English-anguage ones.

Source: First 5 California, Children and Families Commission 'Hard to Reach Bondenman and

Approximately 80% of all Korean', Chinese', and

When looking for information on politics and the terminent, most ethnic populations turn

rate similar to that of the 1990s and 2000s.16 While this California predicts the state's population will continue million people added each decade) at 1% annually, a management, energy, and housing in the state, it will California has also long been known for and defined increase in population will pose challenges to water by population growth. The Public Policy Institute of to rise during the next 20 years (with a projected 5

their mainstream counterparts. ethnic TV, radio, or papers to of ethnic Californians prefer

R.11.03-012 UNC/ft2 Appendix 1-22 California Climate Dividend Public Outreach Program

Section 2

Market and Customer Conditions I think we're going to wait on doing something until it's too late. This is serious.
- ROSE WALLAGE.

SACRAMENTO BUSINESS OWNER

also offer a source of new talent and opportunity.<sup>17</sup> Inland areas will see higher growth rates than other parts of California, although the coastal counties will still be home to most of the state's population. Growth in rural areas will be limited, with areas surrounding metropolitan centers seeing rapid growth. This increase in centralized urban populations will be reflected by a boom in rental property and condominium sales.<sup>17</sup> SoCal is expected to have the largest growth over the next 50 years, with Riverside County leading the way.<sup>18</sup> With the increase in population comes an overall aging of the state. The California Department of Finance predicts that the state's median age will increase from 35.2 in 2010 to 41.9 by 2060.<sup>18</sup> The total number of adults age 65 and over is projected to grow from 4.2 million in 2010 to more than 7 million in 2025.<sup>19</sup> Adults in their late 20s and early 30s will be the second-fastest growing group. As the state ages, the increase in the elderly population will add stress on Medi-Cal.<sup>20</sup>

Orange County, more exclusive and less appealing to young career-seekers, is aging faster than other counties. The counties of NorCal, by contrast, have aged hardly at all, yet remain older on average. This is likely due to NorCal's high housing prices, specialized workforce, and lower rates of immigration.<sup>21</sup> Even so, the California Department

of Finance projects that California will remain one of the younger states in the U.S. over the next 20 years due to its diversity—with higher birth rates among ethnically diverse groups—and its role as a primary gateway state for immigration.<sup>22</sup> As the population grows and ages, strain will be added to the state's infrastructure, with more vehicles on California roads and higher utility usage. The continued boom makes the task of reducing GHGs—and enlisting the help of the people of California—even more crucial and more challenging.

multifaceted approach is needed to communicate most predominant alternative), both mainstream non-English languages (with Spanish being the outreach, and culturally appropriate materials.23 Understanding the needs and behaviors of like and ethnically centric media, collaboration with how each group prefers to communicate-with What it means The residents of California multichannel communications, in English and completely spanning the spectrum of political with them all. Effectively communicating with community-based organizations, grassroots parties, ethnicities, languages, and ages. A the entire population requires cross-cutting, targets will make communicating with them more feasible. In addition, keeping in mind are a truly diverse and large population

consideration should be given to what is pragmatic in such an effort, as special attention paid to both the language and the channel of the communications-will be key to reaching them as well. Of course, the costs of truly reaching everyone would be prohibitive.

# **Californians and Climate** Change

**%**0%

3**5**%

New passenger vehicles

0

# **VIEWPOINTS AND BELIEFS**

warming have already begun, and 73% think it's necessary to take steps last 100 years.24 Most (60%) also say that they feel the effects of global them believe that the world's temperature has probably gone up in the with environmental consciousness. Today, a strong majority (78%) of abundant natural resources, Californians have long been associated Perhaps due to the vast geography of the state and its varied and to counter the effects of global warming right away.25

polled cite global warming as the most important problem facing the state today. The majority supports doing something about climate change but important consideration for the mission of educating Californians on the mean that climate solutions are not important, only that they need to be higher consumer costs, and the economy at large.26 This contrast is an is unwilling to do so at the expense of jobs, business competitiveness, state's plans for curbing climate change, as the priority appears to be everyday economic concerns before climate solutions. This does not However, in a state that has recently faced a housing crisis, lingering state debt, and severe unemployment rates, only 1% of Californians balanced against the extent to which they impact Californians' lives.



54%

**Diesel engine vehicles** 

PPIC Statewide Survey: Californ and the Environment," July 2012. ource: Mark Baldassare et al.,



# WAYS CALIFORNIANS BELIEVE THE GOVERNMENT CAN ADDRESS GLOBAL WARMING



Source: Mark Baldassare et al., "PPIC Statewide Survey: Californians and the Environment," July 2012.

# **YEARS OF LIVING GREEN**

business and residential customers. In fact, California willingness among Californians to adopt these energy has remained flat in the state, while that in the rest of traditionally receives little attention. The connections between energy, money, and the environment have the U.S. has increased by about 33%.27 Customers education programs-it is part of the reality of life in California. This has helped involve customers more since the 1970s. Since then, per capita energy use become clearer. And, in turn, there seems to be a have been exposed to a number of outreach and California utilities offer a wide variety of products, programs, and services across the state for both has led the nation in energy-efficiency programs deeply into an area of their lives-energy-that solutions and put effort toward them.

## SOME NOTABLE CALIFORNIA ENERGY PROGRAMS

Energy Upgrade California Designed to help customers with home-improvement projects that lower energy use, conserve water and natural resources, and make homes healthier and more comfortable, this program assists customers with planning their upgrades, locating participating contractors, and finding rebates and incentives. **Demand Response Programs** Demand response is a rate-based program that encourages customers to reduce their electricity usage in a given time period or shift that usage to another time period. Demand response saves customers money and helps manage energy production by lowering peak-time energy usage. **California Alternate Rates for Energy** (CARE) Low-income customers enrolled in the CARE program receive a 20% discount on their electric and natural-gas bills. Eligible customers are those whose total household income is at or below set levels as outlined by the PUC.

# **Energy Savings Assistance**

**Program (ESAP)** No-cost weatherization services are provided to low-income households, including attic insulation, energy-efficient refrigerators, energy-efficient furnaces, weather stripping, caulking, low-flow showerheads, water-heater blankets, and door and building envelope repairs.

# Self-Generation Incentive

**Program (SGIP)** The PUC provides incentives to support existing, new, and emerging distributed energy resources with rebates for qualifying energy systems installed on the customer's side of the utility meter. Qualifying technologies include

wind turbines, waste heat-to-power technologies, pressure-reduction turbines, internal-combustion engines, micro turbines, gas turbines, fuel cells, and advanced energy-storage systems.

# **UNDERSTANDING AB 32**

In the 6+ years since the passage of AB 32, Californians have been inundated with conflicting messages on its purpose, its goals, and its ultimate cost from press coverage, blogs, and word of mouth. There has not been a public education campaign on the bill—a vast and complex piece of legislation with many subcomponents—as a whole. In its absence, the mixed messages Californians have received about AB 32 have led to confusion and mistrust. Yet, while support for the bill declined steadily (by double digits over 3 years<sup>28</sup>) in the first few years after it was passed, the trend has turned upward over recent years. As of early 2012, 70% of California residents support AB 32.<sup>28</sup>

However, by mid-2012, even with the vast amount of media coverage received by AB 32, a majority of California voters (55%) had not heard of the cap-and-trade element of the bill.<sup>30</sup> To further complicate communication matters, more information on the subject tends to turn a voter's opinion of cap and trade from positive to negative. When provided with a basic description of cap and



trade, 56% of Californians polled favor it, while 39% do not. As more detailed information is provided, their opposition of cap and trade increases from 39% to 55%. Add in details about the cap-and-trade auction and Wall Street's involvement and the support is eroded further, with a large majority (86%) less likely to support cap and trade.<sup>31</sup>

In the glut of media coverage and information about climate change, global warming, AB 32, cap and trade, and the cap-and-trade auction, the one aspect that will most directly affect California customers—the Climate Dividend—is lost. In fact, so little is known and understood about it that pollsters rarely ask about it. However, in our May 2013 poll of over 1,000 Californians, 57% support the Climate Dividend aspect of cap and trade. And, of the 23% who oppose it, many indicated their stance is due to a lack of information on the topic.<sup>32</sup>

Conflicting messages and a flood of information have only served to confuse Californians and create suspicion and pessimism among them. As the implementation of AB 32 nears, the "noise" surrounding it has decreased – and, as a result, feelings toward it have grown more positive. It will be key to find the sweet spot, the right combination of how much and what kind of information to share

with the public, in addition to determining how to share those messages. Just enough of the right information can serve to inform, educate, and, perhaps, motivate Californians. Too much could tip the scales to confusion and mistrust. What it means Californians have long been environmentally conscious early adopters of green policies and programs. They have also historically faced paying for that innovation in higher energy costs and other pass-through charges. Current sentiment reflects this desire to do something about climate change along with an unwillingness to do it at the expense of the economy. Balancing the message between the greatest benefit for the environment and the minimal cost for Californians, with just the right amount of information, will help ensure positive reception.

## Customer Information Study and Key Takeaways

With a topic as broad as this is-including greenhouse gases, AB 32, cap and trade, and more-it's just as vital to get a closer look at specific customers' feelings, beliefs, and concerns as it is to examine any overarching marketing conditions.

# **QUANTITATIVE RESEARCH**

To develop a detailed picture of the audience, quantitative research was conducted in May of 2013. Questions ranged from broad environmental issues down to customer sentiment about the specifics of AB 32. This Climate Dividend Quantitative Research was a random sample of 1,200 energy customers from across the state of California. They were interviewed by phone (combination of land lines and cell phones) May 2–8. While the research findings are included in their entirety in the appendix of this document, some notable findings–and what they mean for the message–follow.

## **BASELINE DATA**

The Environment

- 78% had heard of greenhouse gases (GHGs)
  - 69% said there is a link between global warming and energy usage
    - 67% acknowledged that some action is required to help stop global warming
- 56% stated they are willing to pay more if it means stopping global warming

What it means There is an existing baseline familiarity with the concept or language of GHGs. Over two-thirds of survey respondents have made the connection that global warming is connected to energy use. That same number also acknowledges that some action is required to help stop global warming. This suggests a significant receptive audience when packaging the CA Climate Dividend program as, in part, a "solution" toward stopping global warming.

**2** The CA Climate Dividend

When asked what their reaction would be upon seeing a credit on their energy bill labeled "Climate Dividend" (prior to receiving a description of the program):



- 56% either had something positive to say about **3** The the Climate Dividend or would like to know
- more about it
  Only 15% had a negative and/or skeptical reaction
- Most of the respondents (84%) who wanted more information about the Climate Dividend would look for it online

After a brief description of the CA Climate Dividend, the reactions to the program remained virtually the same. What it means At the minimum, a moderately detailed explanation of the CA Climate Dividend will need to be standardized and made available on each energy provider company's website, as well as that of the Public Utility Commission. Because the sentiment after receiving the "just the facts" description of the program remains fairly consistent with opinions prior to receiving it (even among those who are undecided), a different type of description is needed to change customers' perception. Making the CA Climate Dividend more relevant to the consumer via the value proposition, connecting the program description back to the overarching goal of addressing global warming, or answering simply for "so what" are possible solutions.

**3** The Energy Bill

- 25% stated that they read all their energy bill
  - 25% stated that they read some of it Another 21% stated that they at least glance
- at it
  Those who favor the Climate Dividend are slightly more likely to read their energy bills

(53% vs. 45%)

What it means A message delivered with the bill has a good potential of reaching 25% of the target audience.

**4** The Money Matters

- 61% said they expect to have to pay more for energy because of this program
  - 39% said the Climate Dividend will benefit them financially

What it means Focus should be given to the actual amount of the Climate Dividend, as well as its frequency of delivery. It will be especially helpful if the value proposition ties to the delivery of the actual credit.

# **5** The Motivating Factor

 68% said the Climate Dividend will encourage them to save energy What it means Even without explanation as to how the CA Climate Dividend will help reduce carbon emissions, more than two-third of consumers are making the connection to their own reduction in energy consumption. This suggests that delivering that connection directly in the messaging will help pull that number up even higher. Plus, there may be a secondary opportunity to encourage and educate consumers about ways to reduce energy use.

## **OPINIONS**

### Support

Top Reasons for Supporting the CA Climate Dividend Program: Responses to Open-Ended Questions

- The money from the credit is good/will help me:
   "It is always good to have some type of credit."
- It's good for the environment (air quality, GHGs, global warming): "It sounds like it would be beneficial to the environment."

 I want businesses to reduce their energy usage: "It would force the business to initiate better usage of the energy." What it means Those in favor of the plan support climate solutions and seem receptive to the idea of both contributing and being acknowledged for their involvement. Make them feel like their contributions (alongside those of the industries reducing their emissions) will make a difference and, where possible, show them what that difference could look like in the long term.

### **2** Oppose

Top Reasons for Opposing the CA Climate Dividend Program: Responses to Open-Ended Questions

- It's not a real solution or won't solve the problem: "It is like they are buying credits, and they increase pollution instead of reducing it."
- Customers would end up paying more in the long run: "They will just pass the burden to consumers."
- It's not the government's place or I don't trust the government: "It is more government control."



What it means These issues may be addressed and diffused by providing access details of the program (via website links or additional reference sources) and describing why the program will work in a direct and transparent way. The breadth of findings from this quantitative research was used to inform the stimuli brought forth into the next round of discovery via qualitative research.

# **QUALITATIVE RESEARCH**

Qualitative research was conducted to inform the development of the communications approach and specific messaging around the Climate Dividend to residential customers. Three sessions of two focus groups each were conducted in May 2013 in San Diego, Riverside, and Sunnyvale. These locations were selected to capture a cross-section of the state's population, including rural and urban dwellers, high and low income, multiple ethnicities, and both IOU and CCA/DA/ESP customers.



30
In these sessions, a variety of stimuli, including both concept statements and visual direction, was used to:

- Understand current awareness (if any) and perceptions of the program.
- Explore comprehension and perceived relevance of the program (based on a written description).
  - Identify perceived benefits of the program,
- anticipated actions taken as a result, etc.
   Explore receptivity, relevance, and comprehension of

a number of conceptual messages for the program. A complete summary is included in the appendix of this document. However, some key findings captured within the qualitative research that helped further shape the final strategic framework are noted here:

## Awareness and perception of the program

### None of the participants within this study had any prior awareness of the CA Climate Dividend. In absence

awareness of the CA Climate Dividend. In absence of further explanation, most participants automatically concluded that the program was some sort of "energy reduction" program involving an incentive for customers to reduce their own consumption.

"I assume you get some sort of rebate for conserving energy."

"Probably it is something that you get when you do certain things to reduce your energy use." "I wonder if this might be some extra credit from PG&E because we used less."

What it means Even without explanation, consumers are prepared to make the connection with a reward for reducing energy consumption. While not the true intent of the program, this does suggests that there may be an opportunity for delivering energy-saving tips and programs through these communications. The majority of customers agreed with reducing GHG emissions and reacted favorably when this was referenced as context for the dividend.

### Comprehension and perceived relevance

A series of simple, one-line statements were presented to participants, introducing the Climate Dividend. The statements were met with a mix of interest, apathy, skepticism, and a desire for additional information.

"I'd want to know why I was getting this." "Sounds good to me. Credit my bill, baby." "I'm not sure I would go there, but it would



make sense to have a link to a website where people who wanted to get the details could go." What it means While customers are generally pleased with receiving a credit, it is helpful to provide access to further details on the credit and explanation on the objectives and long-term impacts of the program. A simple "reason why" often seemed to be enough to satisfy customers.

Consumers want assurances about the source and impact of the credit (revenue generated from the program is paid out to customers, not funded from state budget, not a refund of overcharges, can help offset any economic impact of the program on prices or rates), but do not need or even want a lot of detail on cap-and-trade or revenue allocation. When providing greater detail, care will need to be taken to strike the right balance of information.

### A candid description

Despite wanting more information, customers ultimately still need the explanation to be simple, straightforward and non-technical. Reactions to a detailed description of how the cap-and-trade program is being conducted and how it generates funds that go back to the public were met with concern.

"This sounds like it was written by a lawyer or someone who is used to using tariff language." "Can't they just make it simple?" "This sounds like AIG or Enron. It's the kind of thing that can easily be manipulated." "I don't believe cap and trade works. It's just going to drive industry out of California." What it means There is an underlying skepticism or concern that cap and trade may be an opening for increased bureaucracy and that it may drive some businesses to leave California. A basic description of the program, devoid of technical or political language, will lend itself to the perception of transparency among residents. Plus, providing a vehicle to give consumers a voice may help to mobilize advocacy and offer a platform for diffusing skepticism by calling attention to successes and milestones. When describing the Climate Dividend, it will be important to follow these guideposts:

#### SAY

Explain "dividend" using basic benefitsHelps clean the air

- Helps the environment
- Slows down climate change
- Improves air quality

32

- Makes for a cleaner California
   Lead with credit: mention first, explain how much and when they'll receive it
  - Equality: all households receive credit
     + same amount
- Twice-yearly credit (amount, how often)

#### DON'T SAY

- Cap and trade: descriptions bring up questions and suspicions
- Tighter cap on industries: sounds like it might be hard on business
  - Limits on the amount of GHGs: confusing, just say "reduced"
- Businesses trading credits: brought to mind corruption and administrative costs

### The role of visuals

Most agreed that there could be a role for visual communications around the program, particularly in initial announcements, ads, and/or explanations of the credit before it appears on the bill. Reactions to the stimuli presented provided the creative development team with clear direction and a strong leaning toward two of the concepts.

Qualitative research participants, in their own articulations, said that desired messaging about the Climate Dividend would:

- Clearly showcase the ultimate benefit of cleaner air.
- Give a brief statement of the purpose and the context.
- Provide some detail of the actual credit (amount, timing, recipients).
- Assure customers about the source and the impact of the credit.

The collective findings from both sets of researchquantitative and qualitative — plus an in-depth look at the state and its people were the basis for the recommendations contained in this report. They informed the tactics, strategic framework, implications, and final creative platform. Together they shaped how, when, and where to optimally speak to Californians about the state's Climate Dividend program.





MT. SHASTA, CA, FROM THE NORTHWEST AT DAWN



## **Master Strategy**

Gain attention and make connections by showcasing the ultimate benefit that the California Climate Dividend represents: clean air. The overarching objective for AB 32 is to reduce GHG levels by a significant amount. While the mechanics of this effort, to a great deal, center around large industry and massively scaled solutions, public participation provides many benefits toward achieving this goal. A strategy that generates a positive reception in customers has many benefits:

- An open and willing public provides support for industries while they undergo transition toward smarter solutions.
  - They reward this innovation through their purchase decisions.
- They help shape, accommodate, and align with policies and policymakers as they enact meaningful changes.
- They contribute to overall GHG reduction through their decisions and behaviors.

Therefore, the best strategy for educating the public on the allocation of a Climate Dividend

will be one that positions the value proposition of the Climate Dividend addressing customers' core desire. Customer insight and data shows that this can be done by highlighting the ultimate impact on the environment the cap-and-trade program provides–GHG reduction. Connecting the Climate Dividend to clean air drives both a positive perception and positive behavior.

### **CUSTOMER SENTIMENT**

The strategy for this effort was arrived at after reviewing the body of evidence available through broad-based queries, a quantitative study, and direct conversations with customers. Press coverage of the topic has revealed a level of concern and uncertainty about the cap-and-trade program. While there is positive support for it, it is often outweighed by less-than-favorable stories, as illustrated by the *Redding (CA) Record Spotlight:*<sup>4</sup> In the rosy [possible future] . . . technological innovation and savvy policies to promote renewable energy succeed in proving California can have it all — a strong economy that nonetheless reduces the carbon emissions that, over time, threaten to dramatically warm our friendly planet. The naysayers will be proven wrong, and where California has led once again the world will follow.

Or, in the pessimist's scenario, inevitably higher prices for energy – unavoidable under cap and trade– and the related bureaucratic burdens on business expansion further hobble the state's already limping economy. The economy shrinks. Families leave. The state might reach its goal of returning to 1990s-level carbon dioxide emissions by 2020, but only through a wholesale reversal of growth. . . . "Even if California shut down every power plant and took every car off the road, global emissions are growing so fast that they'll rapidly make up the difference."

As customer research was carried out through surveys and conversations, customers showed a tendency to trend toward pessimism and doubt. The topic of cap and trade, especially the details around auctions, regulations, and revenue allocation, appeared to produce a somewhat negative effect. It caused customers to question just about everything related to the program. Its intent, effectiveness, management, economic impact, wisdom, and more appeared to concern and sometimes frustrate customers.

This is not a condemnation of the program, but instead a reflection of how customers in the general public process information. They are not at the policy level and are not in the position to develop or judge such a program. When the conversation moves into these areas, the somewhat negative response almost can't be helped. It's only natural that, when presented with numerous facts, customers have to respond by trying to comprehend, relate to, and, ultimately, judge them, even when they don't give those facts However, this does not mean that the CA Climate Dividend is destined for a harsh reception. On the contrary, in a variety of research settings, customers generally met the dividend with happy optimism. This is because they could relate to the dividend—not in its creation and distribution but in what it represents in terms of the environment. Moreover, customers have shown that they do not need all the details behind the Climate Dividend. They are, instead, more interested in what they can do to contribute to GHG reduction.





Customers generally desire a more simplified and direct explanation of the CA Climate Dividend:

- What is it? A twice-yearly credit on your energy bill
- What does it represent? Cleaner air from reduced greenhouse gases
- Who gets it? Every electricity customer receives an equal amount
- Where does it come from? Revenue generated by a program that reduces industry emissions

While customers may choose to look deeper, they don't *need* to look deeper. Enabling them to dig into other parts of the story, in their own way, appears to be a more desirable approach. Given that customer education can be carried out over a period of years, through a variety of channels, it becomes even more probable that a communication approach can be executed that provides customers an ever-deepening exposure to the facts of the CA Climate Dividend.

THE CULMINATION OF RESEARCH AND CONSIDERATION FOR THE OVERALL OBJECTIVES OF AB 32 HAVE LED TO A STRATEGIC APPROACH THAT PLACES THE BENEFIT AT THE FOREFRONT OF THE CUSTOMER EDUCATION CAMPAIGN AND

### DELIVERS ADDITIONAL DETAIL THROUGH THE CAPABILITIES OF A WELL-STAGED CAMPAIGN.

- Position the Climate Dividend as a positive sign of cleaner air
- Inform and educate that climate change is being addressed
- Keep information to a minimum and highlight the overall benefit
  - trie overall betrent. Enable customer exploration of deeper information
- Encourage participation in customer GHG reduction

This strategy is the best approach to educating and informing customers in a way that is meaningful to them and delivers on overall program objectives.

### LEADING WITH BENEFITS PROVIDES BOTTOM-LINE BENEFITS.

The potential outcomes for this customer education approach appear beneficial for achieving lower GHGs without undue expense or resource requirements. By focusing on the ultimate benefit of the program, customers are more likely to support and align with the program:

- This means policymaking and implementation receive greater support.
- It also means customers are less likely to

R.11-03-012 UNC/jt2 Appendix 1-39 oppose the program in material ways, which often lead to slowdowns, extra costs, and other inefficiencies.

Positive sentiment guides the customer through program information more effectively.

Customers are also more likely to share opinions about GHG reduction in a positive way with their peers, friends, and associates:

- This advocacy generates positive word of mouth, a powerful and essentially "free" form of customer education.
- This helps others gain awareness and form their own viewpoints; it can even drive people to GHG-reduction solutions.
- Such word of mouth can also influence news
   outlets and the overall public dialogue.

Customers are also more likely to lower greenhouse gases through their choices, actions, and sustained behaviors:

- Increased awareness among customers on how their actions contribute to GHGs helps them modify their behaviors.
- Customers can increase participation in energy solutions by adopting alternative generation or green sources, energy-efficiency products, and

# **Strategic Summary**

Gain attention and connect with customers by showcasing the ultimate benefit that the California Climate Dividend represents: clean air.

### **BUSINESS STRATEGY**

Efficiently enhance overall GHG-reduction efforts through: CUSTOMER ACCORD – Encourage alignment by focusing on lower GHGs.

**CUSTOMER ADVOCACY** – Motivate Californians to help spread the word in their communities. **CUSTOMER CONTRIBUTION** – Inspire customers to participate in energy solutions and support ongoing commerce.

## **COMMUNICATIONS STRATEGY**

To fulfill customers' core desire of a cleaner environment: TELL THE STRONGEST STORY – Focus on the ultimate benefit. DELIVER IT IN A TOP-DOWN MANNER – Use channels and timing to provide the depth of information. ENABLE CUSTOMER EXPLORATION OF INFORMATION – Help the customer unfold the topic in the way and depth they require.

ENABLE CUSTOMER EXPLORATION OF INFORMATION—Help the customer unfold the topic in the way and depth they require. DRIVE RESPONSES RANGING FROM EDUCATION TO ENERGY MANAGEMENT ENGAGEMENT—Use direct response methods to drive a feeling of open accessibility to information and guide customers to the information they need.



even specific rates.

 Continued and considered support of business helps keep commerce flowing and ensure healthy economic conditions as the program takes effect. Customer information and education that delivers the strongest impact for the overall public good would logically be an appropriate and astute use of this ME&O effort.

#### SHARE A STORY CUSTOMERS CAN RELATE TO, EMBRACE, AND APPLY IN THEIR OWN LIVES.

Based on the strategy, communications should take a top-down approach, showcasing the overall benefit of the program as the wrapper to the story and delivering increasing amounts of detail through the channels and timing of outreach. This approach helps open customers to the message initially and creates a more invitting platform for communications over the two-year campaign period. Starting with and building on the ultimate benefit of cleaner air connects the Climate Dividend quickly and easily to customers' core desire: They hope

for a solution to climate change and, though they show a tendency to question the mechanics of achieving this solution, they are ready and eager for action to be taken. There is, in fact, a lot to the story of the dividend, including it being an allocation of revenue, its source in cap and trade, and its connection to GHG reduction among industries and businesses. Delivering those incremental messages over the life of the campaign, in complementary stages, will give customers a better chance at absorbing the details and understanding how they are relevant in their own lives. The strategic road map uses the full two years of its scope to layer messages together to form a more complete picture over time, beginning with the environment and ending with more details on cap and trade. For customers who are more inclined to dig deeper faster, the details of cap and trade, auction revenues, and their return to the public should be available. Options for using online resources or a call center need to be made clearly evident through all customer communications. This lends to the air of transparency and accessibility that the campaign should have. Furthermore, this can become a

R.11-03-012 UNC/jt2 Appendix 1-41 tactical advantage in terms of direct-response media, which is covered further in Section 6 of this report. In short, this means offering customers something they can order, such as an "information kit," through a response mechanism can serve the purpose of informing customers who are so inclined while also allowing a potentially more cost-effective media spend by nature of its directresponse approach.

Customers looking for further information, initially or over the life of the campaign, should also be educated on solutions that they themselves can participate in to contribute to GHG reduction. In fact, it's more likely they would choose such forms of added content over the mechanics and logistics of the cap-and-trade program. These solutions can range from simple behavioral changes to energy solutions or even alternative generation. Such solutions or even alternative generation. Such solutions add to the overall reduction of empowerment for customers. This also helps tie the ME&O efforts for the CA Climate Dividend to other energy management solutions in place throughout the state.

Overarching Objective Bior Lower Greenhouse Cas Emissions         Educate Customers on California (Emissions)           Opjective for Lower Greenhouse Gas Emissions         Educate Dividend in Support of AB 32 Objective for Lower Greenhouse Gas Emissions           Principles         Transparent & Simple, Positive & Progressive, Inviting & Enabling           Principles         Solution-Focused Benefit-Oriented Response-Inspiring Exploration-Enablin (Topic (Tabletines)           Oution-Focused Benefit-Oriented Response-Inspiring Exploration-Enablin (Tabletines)         Exploration-Enablin (Topic (Tabletines)           Oution-Focused Benefit-Oriented Response-Inspiring Exploration (Tabletines)         Exploration-Enablin (Topic (Tabletines)           Oution-Focused Benefit-Oriented Response-Inspiring Exploration-Enablin (Tabletines)         Exploration-Enablin (Topic (Tabletines)           Oution-Focused Benefit-Oriented Response-Inspiring Exploration (Tabletines)         Exploration-Enablin (Topic (Tabletines)           Oution-Focused Benefit-Oriented Response-Inspiring Exploration (Tabletines)         Exploration-Enablin (Tabletines)           Oution Focused (				
Strategic Vision       Generate positive customer receptivity         Brinciples       Transparent & Simple, Positive & Progressive, Inviting & Enabling         Principles       Transparent & Simple, Positive & Progressive, Inviting & Enabling         Cuidelines       Solution-Focused       Benefit-Oriented       Response-Inspiring       Exploration-Enabling         Cuidelines       Solution-Focused       Benefit-Oriented       Response-Inspiring       Exploration-Enabling         Cuidelines       Solution-Focused       Benefit-Oriented       Response-Inspiring       Exploration-Enabling         Outed in solution for climate change       Inform, don't explain, an top-do process in their fashion.       Ower time.       Ower time.         Executional Pillars       Evecutional Pillars       Evecutional Pillare       The methods and channels of the environment of the environm	Overarching Objective	Educat Climate Divido for Lowel	e Customers on Ca end in Support of At r Greenhouse Gas E	lifornia 3 32 Objective :missions
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Guidelines       Solution-Focused       Benefit-Oriented       Response-Inspiring       Exploration-Fenablin         Guidelines       Solution-Focused       Benefit-Oriented       Response-Inspiring       Exploration-Fenablin         Inform       Inform, dont explain       Inform, dont explain       Inform, dont explain       Present the story in suitable layers, in a top-do process in their fashion.       Delivery         Inform, dont the environment, about the future.       Dividend is a sign of a solution for climate change of the environment, mitigation to climate change are all key desize of the dividend to clean air for mitigation to climate change are all key desize of the dividend to clean air for look further       Delivery         Clean air lees pollution, for climate change are all key desize want to know about the dividend to clean air to look further       Use campaign concept a dividend to clean air to look further       Provide additional pieces information aligned to the evolution aligned to the dividend over the story for solution and dedition and added over the story for solution and added detail       Drive helpful response in formation and added detail         Content       Cher information on clean and policing GHGs       Drive detail on cap-and-bit detail       Drive helpful response in the formation and added detail         Cuttor information on       Drive detail on cap-and-bit detail	Principles	Transparent & Sin	nple, Positive & Progressive, II	nviting & Enabling
Topic       Topic       Content       Delivery         It's about the environment, about process in their fashion.       Inform, don't explain.       Present the story in evironment, about process in their fashion.       Delivery         Present the story in environment, about process in their fashion.       Delivery       Present the story in evironment about process in their fashion.       Delivery         Present the story in environment, about process in their fashion.       Delivery       Present the story in evironment about process in their fashion.       Delivery         Present the story in environment about pillars       Delivery       Delivery       Delivery         Present the story in environment about process in their fashion.       Use campaign concept a evirable flyers, in a top-dop way, so customers can abs over time.       Delivery         Present the story in environ for climate change er al key desires       The basics of the dividend to look further to look further       Use campaign concept a dividend to clean air how much, how often, who, and if they have control over it       Previe additional places to look further         Cuther information on trade brogram       Cuther information and added detail       Provide additional places the story for solution trade brogram       Prive helpful response in form of behavior change.	Guidelines	Solution-Focused Benefi	it-Oriented Response-Inspi	ring Exploration-Enabling
<ul> <li>Dividend is a sign of a solution for climate change solution for climate change</li> <li>Dividend is a sign of a solution for climate change</li> <li>Clean air, less pollution, initiate change</li> <li>The methods and channels information aligned to the depth/format of the channels to know about the dividend.</li> <li>The role GHGs play invite customers into and if they have control over it trade program</li> <li>Other information on level or call on and added detail</li> <li>Other information on level or climate change</li> <li>The role GHGs play invite customers into and if they have control over it trade program</li> <li>Other information on level or cleanal over in trade program</li> <li>Drive helpful response in form of behavior change.</li> </ul>		<b>Topic</b> It's about the environment, about better, cleaner air for now and the future.	2 Content Inform, don't explain. Help customers absorb and process in their fashion.	<b>Delivery</b> Present the story in suitable layers, in a top-down way, so customers can absorb over time.
	Executional Pillars	<ul> <li>Dividend is a sign of a solution for climate change</li> <li>Clean air, less pollution, mitigation to climate change are all key desires</li> <li>Customers otherwise want to know about the dividend-how much, how often, who, and if they have control over it</li> <li>Other information on lowering GHGs</li> </ul>	<ul> <li>The fundamental necessity of the environment</li> <li>The basics of the dividend</li> <li>The methods and channels to look further</li> <li>The role GHGs play</li> <li>Ideas and options for reducing GHGs</li> <li>More detail on cap-and- trade program</li> </ul>	<ul> <li>Use campaign concept as "wrapper" to connect the dividend to clean air</li> <li>Provide additional pieces of information aligned to the depth/format of the channel</li> <li>Invite customers into the train participation and added detail</li> <li>Drive helpful response in the form of behavior change,</li> </ul>









In a broad sense, the target for this program is all Californians. The task–informing and educating practically every household that will receive the Climate Dividend–means the first and most important objective is to reach those customers. Even though informing *everyone* is impractical and unlikely, the statewide scope has led to a targeting approach that groups customers primarily based on how they can be reached.

Consideration was also given for how energy consumers might react to outreach based on their attitudes and beliefs. However, those beliefs were not aligned to a particular customer type, demographic, or area. This means that atthough different beliefs and attitudes toward the Climate Dividend (and cap and trade) exist, they are not actually targetable through outbound communication channels. The target groups reveal the share of favorability and opposition in each group, but it is not possible to know who in each group has those attitudes.

In addition, it was learned that the core desire for customers – cleaner air – was somewhat universal and cut across culture, income, ethnicity, and location. The main message developed to raise awareness for the dividend was seen as impactful regardless of such distinctions. Forming targets

based on reach, therefore, provides a way to align channels and tactics to ensure that customers hear the message. While other, more complex, targeting approaches were explored, it was determined that the most efficient and effective solution was this general reach-based approach. In order to size these targets, and to understand how sentiment and beliefs are represented in each, the May 2013 quantitative study was used as a baseline. Comparing the results of this research to other information sources confirmed the general distribution found through the quantitative research.



Source: United States Census Bureau, <a href="http://quickfacts.census">http://quickfacts.census.gov/qfd/states/06000.html>, accessed June 13, 2013.</a>

# A NOTE ON THE HARD TO REACH

Throughout the development of the Market and Customer Conditions phase, insight was gained into the vast diversity of Californians. How, if at all, diversity affects customer awareness and beliefs toward GHGs and climate change was explored. Communication differences were also researched, including language barriers and approaches to seeking information. As previously mentioned, and as validated through the May 2013 quantitative research, for the most part varying sentiment and information needs do not reside in any specific channel or customer segment (such as ethnicity or income). All unique customer segments of Californians contain pockets of proponents, opponents, and the undecided. This conclusion was further validated with the qualitative research, which showed that generally all customer types gravitated to a single messaging hook. This hook captured the attention of and was favored by all customer types, regardless of ethnicity.

However, these factors do come into play when reaching customers. They are, as described, hard to reach. Within the quantitative study, it was this more ethnically diverse and lower-income customer that tended to neither consume mainstream

broadcast media nor read their energy bills. The overlap between a common definition of "hard to reach" and the group of customers who will be hard to reach through this education program has led to the formation of this particular target. In other words, neither ethnicity nor income was used to develop this target. **The ability to reach the group** was the defining factor.

## **Reach Targets**

### TARGET 1: READ BILL

These are customers who read their electric bill in its entirety and represent 25% of households. Ideally, the most efficient channel will be the electric bill itself, and reaching customers through that channel is ideal. However, as the placement on the bill for the Climate Dividend will vary, and many customers indicated they only glance at the bill, it is important to size the group of customers who are most likely to be informed through this channel and assign them as a target. It cannot be assumed that 100% of this target will, in fact, see the CA Climate Dividend on their bills. However, 85% of this target can also be reached by traditional media. The combination of bill and broad outreach will be especially effective for them.



**General Profile** This group skews older, with 36% over the age of 55. They are more likely to own their home (57%). Three-quarters have at least some college education. Their household incomes are comparable to the overall California population. 52% are Caucasian, 20% are Hispanic 12% identify themselves as multiethnic, and 4% are African-American. As far as their attitude toward the Climate Dividend (and the cap-and-trade program that it represents), well over half of them favor it. They cite financial gain and a positive environmental impact as key drivers to that sentiment. Reasons for opposition include a disbelief that it will actually work and a concern for high prices.

attention to their bill.

Sentiments & Beliefs When asked about their reaction to a credit on their bill called the CA Climate Dividend (without a detailed description), most either had a positive reaction or wanted more information. Around 20% said they wouldn't know how to feel about the Climate Dividend. 23% would want to know more about it. For the most part, this target has heard of GHGs (84%) and is more receptive to the Climate Dividend program. After hearing a brief description, a majority (58%) favor the Climate Dividend.

#### TARGET 2: BROAD OUTREACH This is the largest target group, representing 62% of households, and the one most readily accessible through traditional broad-based outreach tactics. However, they may not read their bill or may only glance at it. They do consume over 6 hours of traditional media each week, including TV, radio, and Internet, and are likely to be reached through these channels, which may lead them to pay more

**General Profile** This target is younger, with 42% under the age of 35. About half own their home and half rent/lease their home. Around 70% have at least some college education, and their incomes are also comparable to the overall California population. 50% are Caucasian, 24% Hispanic, 12% Asian-American, 7% identify themselves as multiethnic, and 5% are African-American.

Their levels of sentiment look much like the Read Bill group. Sentiments & Beliefs Similar to the Read Bill target, when asked about their reaction to a credit on their bill called the CA Climate Dividend (without a detailed description) most either had a positive reaction or wanted more information. 22% would

want to know more about it. This target also has heard of GHGs (80%) and is more receptive to the Climate Dividend program. After a brief description of the Climate Dividend, they favor the program (57%).

## **TARGET 3: HARD TO REACH**

This group is minimally exposed to traditional media, consuming less than 6 hours each week, and they are not likely to review their bill. They make up 13% of California households. As demonstrated within the Market and Customer Conditions section, California's diversity in geography, culture, ethnicity, and language provide a hurdle in delivering reach. This is a likely driver for this target's isolation from mainstream and energy company communications. Also, demographic data collected through the quantitative study confirmed their greater propensity toward ethnic and income diversity.

**General Profile** This target's age is comparable to the overall California population. 60% rent their homes, and 51% did not attend college. Their incomes are drastically lower, with 76% of households making less than \$50,000 per year. 28% are Caucasian,

54% Hispanic, 12% Asian-American, and 5% African-American. This target is also more likely to live in the Central and Southern Farm region (23%). Their opinion of the Climate Dividend is much more likely to be in the "don't know" category than the other two targets. Still, about half say they favor it and only about 14% (the smallest portion among the targets) say they oppose it. Sentiments & Beliefs When asked about their reaction to a credit on their bill called the CA Climate Dividend (without a detailed description), 39% – a considerable amount – said they would not know what to think about it. 21% would want to know more about it. This target is much less likely to have any awareness of GHGs (56%) and less likely to understand global warming and the Climate Dividend. While half say they support the program after a brief description, 35% continue to be undecided about the Climate Dividend.



# **Details on Reach Targets**

SENTIMENT

	READ BILL	BROAD OUTREACH	HARD TO REACH
		Column %	
P	AWARE OF GHGS		
Yes	84%	80%	56%
REACTION TO CLIMA	TE DIVIDEND (BEI	FORE DESCRIPTIC	(NC
Positive (general)	34%	37%	15%
Want to know more about it	23%	22%	21%
Suspicious of it or not trust it	8%	7%	9%
Surprised or confused	8%	10%	9%
Negative (general)	3%	4%	3%
Ignore it	1%	3%	3%
Don't know	21%	17%	39%
DIVIDEND SEN	ITIMENT (AFTER D	DESCRIPTION)	
Favor	58%	57%	50%
Oppose	21%	26%	14%
Don't know	21%	17%	35%

DEMOGRAPHICS	READ BILL	BROAD OUTREACH	HARD TO REACH
	Column %	0	
AGE			
18-24	%6	19%	18%
25-34	11%	23%	12%
35-44	23%	20%	20%
45-54	21%	18%	18%
55-64	15%	11%	19%
65+	22%	%6	13%
HOME OWNERSHIP			
Own	57%	50%	36%
Rent	40%	47%	60%
Lease	3%	3%	4%
EDUCATION			
Some high school	8%	8%	18%
Graduated high school	17%	21%	33%
Some college	19%	19%	16%
Two-year degree	10%	%6	11%
Four-year degree	28%	27%	17%
Post graduate	18%	16%	6%
ETHNICITY			
African-American	4%	5%	5%
Asian or Asian- American	11%	12%	12%
Caucasian	52%	50%	28%
Hispanic	20%	24%	54%
Multiethnic	12%	7%	%0
Other	1%	1%	1%
INCOME			
Under \$30k	26%	27%	54%
\$30k-\$49k	21%	16%	22%
\$50k-\$74k	15%	15%	6%
\$75k-\$99k	14%	17%	6%
\$100k-\$149k	16%	14%	5%
\$150k-\$199k	4%	7%	4%
\$200k+	4%	5%	3%

#### Differences by Region\*

To increase learning and actionability for the targets, especially through localized and community efforts, they have been further identified by geographic region. For example, over 90% of households in both the Bay Area and the Central Valley are reachable (in the Read Bill and Broad Outreach targets). By comparison, only 79% of the households in the Central and Southern Farm region are reachable.

\*Regions were defined from the CDSS/ DAPB study.





#### Differences by Sentiment

Even though the target definitions are based on reach, and thus focus on outbound communications, it is expected that the different sentiment groups within the population could react differently. These groups will have varying reactions and additional informational needs that, when fulfilled, can engender a positive outlook and potentially motivate consumers to engage in further reducing their own GHG footprint. Generally, most customers are in favor of the dividend—albeit with differing primary reasons. The remaining Californians are either opposed to it or simply not sure. Those opposed also differ in their rationale for being opposed.

Favor Dividend – Why? The top reason for supporting the CA Climate Dividend is that they believe it will help the environment or reduce the effects of global warming (26%). Another 23% say the money or credit will help them reduce their monthly bill.

**Oppose Dividend – Why?** 40% of those who oppose the CA Climate Dividend do so because they do not believe the dividend will help solve the problem of global warming or reduce GHGs. Another 20% think they will just end up paying more in the long run and the cost is not worth such a program. Others (12%) do not think it is the government's job or simply do not trust the government.

**Undecided on Dividend** This group includes only those who, after given a brief description, either do not understand the program or have no opinion. It accounts for 20% of California households. As with reach, sentiment toward the Climate Dividend is not isolated to certain customer types. However, males are more likely to oppose the dividend, while females are more likely to not have an opinion on the program. Ethnic minority groups make up 58% of the proponents. Among the opposition, 64% are Caucasian.

UNDECIDED ON DIVIDEND			33%	36%	31%		39%	61%		3%	15%	43%	32%	6%		51%	23%	26%
<b>OPPOSE</b> DIVIDEND	%		33%	34%	32%		60%	40%		2%	5%	64%	19%	10%		39%	33%	28%
FAVOR DIVIDEND	Column %		37%	42%	21%		48%	52%		7%	14%	42%	28%	9%6		50%	28%	21%
DEMOGRAPHICS		AGE	18–34	35-54	55+	GENDER	Male	Female	ETHNICITY	African-American	Asian or Asian- American	Caucasian	Hispanic	Other	INCOME	Under \$50k	\$50k-\$99k	\$100k+

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#### WHAT WILL BE THEIR LIKELY INITIAL REACTION?

Respondents were asked to report their possible reactions if they were to see the Climate Dividend as a credit on their energy bill. Their responses further help in understanding the makeup and mind-set of these segments.

Favor Dividend Generally, these customers are aware of GHGs and receptive to the topic. If the Climate Dividend is seen on the bill first, they are likely to want to learn more about it. **Oppose Dividend** These customers are also likely to be aware of GHGs and receptive to the topic. However, if the Climate Dividend is seen on the bill first, they would be more suspicious or confused than the ultimate proponents. **Undecided on Dividend** These customers are the least apt to be aware of GHGs. They also appear to be the least interested. Nearly 40% (37%) reported they don't know how they would react if they saw the Climate Dividend on their energy bill. They also are not any more likely to want to learn about it than those in the other two segments.

	FAVOR DIVIDEND	OPPOSE DIVIDEND	UNDECIDED ON DIVIDEND
	7,004,184	2,884,686	2,511,130
		Column %	
	AWARE OF GHG	ŝŝ	
Yes	%62	87%	65%
REACTION	V TO CLIMATE DIVIDEND (	BEFORE DESCRIPTION)	
Positive (general)	40%	26%	21%
Want to know more about it	25%	17%	22%
Suspicious of it or not trust it	5%	17%	6%
Surprised or confused	8%	14%	10%
Negative (general)	2%	6%	3%
Ignore it	2%	4%	3%
Don't know	18%	14%	37%

#### Acting on the Segments

Once aware, some customers will want additional information. Even though the differing sentiments and potential information needs cannot easily be aligned by channel or customer demographic, content in response channels should account for the benefits (financial and cleaner environment) and the skeptical beliefs (solution won't work or it will cost too much) inherent in customer attitudes.



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# Solid Smpac

Delivering customer education and outreach for the California Climate Dividend in an impactful, practical, sustainable way.

WIND AN



### Overview

Campaign tactics and channels for this program have been selected to provide solid and sustainable impact on customers in a cost-effective way. The goal is to ensure customers understand that they are receiving a credit and that that credit represents cleaner air and a solution to climate change, as the strategy has outlined. Reaching customers is key. Informing and educating nitially, they can be quite different in how they react are very similar in the message they resonate with that message. Therefore, recommended tactics objective, as well as the fact that, while customers ncrease overall awareness, but also satisfy target them ensures they will recognize and understand the credit that appears on their electricity bill. Not ranging from customer management to negative and a series of vehicles and channels to not only nclude both a far-reaching outbound campaign reaching them creates the possibility of concern public discourse. The targets developed in this needs as they react to the message they hear. recommendation reflect the importance of this and misperception, potentially creating issues

In actuality, this creates an opportunity, as execution of the campaign can both raise awareness of the Climate Dividend and relate it to the larger solution of clean air. This means creating real and tangible associations between the two and using the context of cleaner air to direct customer reaction. As targets seek information about the Climate Dividend, they can engage in the topic of a smaller carbon footprint. Tactics have been developed and channels recommended to enable customers to explore this information in easily accessible ways and directly participate in GHG reduction through their choices, actions, and behaviors.

In the end, the recommended tactics are designed not only to deliver the message to customers, but also ensure they hear the message, give it attention, and interact with it in meaningful ways. While this may seem an ambitious endeavor for a simple Climate Dividend, it falls in line with the requests of Decision 12-12-033: to expand upon the purpose and value of the Climate Dividend. Better yet, it can be done both effectively and efficiently given the right mix of channels and use of tactical elements. There's also incremental value in how the tactics recommended easily lead to other program solutions under AB 32. Given the need to execute a plan that hits on these key objectives while remaining conservatively priced and competitively neutral, guideposts have been developed. These were also used to shape tactical recommendations contained in this report and should be employed by any parties executing this plan. They include:

- Cost-effectiveness: In order to maximize revenue allocation
- Cross-cultural and multiple-target compatibility: To appeal to diverse California customers
  - Longevity and sustainability: To ensure the campaign can not only endure effectively over the two-year outreach window, but potentially provide value as a platform for ongoing
- communications
   Low administrative requirements: To ensure the tactics are executable across various markets and energy providers in a practical way
  - Adaptability and the ability to evolve: To accommodate program changes and keep customers properly informed

#### Overall Communications Approach

solutions. And a simple set of email communications and purpose of the Climate Dividend and to achieve A plan has been developed to expand on the value should be developed so customers can stay up to maximum feasible awareness, based on available program website should be created for customers receive the good news with positive feelings. This representation should invite customers to engage data and learning. Recommended tactics include to learn more about every aspect of the dividend, further to learn more about the dividend, climate change, and clean air. It should also be portable, shareable, and easily distributed, both physically date, get more information, and receive tips and as well as to connect customers to other energy the use of a simple and hopeful representation and digitally. An online resource or centralized of the Climate Dividend to help customers ideas for reducing their GHGs.



A variety of low-cost, high-reach channels should be used to spread the word quickly and loudly over a short period. It is recommended the campaign ramp down between credits and run only through simple, low-cost, and "always on" channels. Deploying localized advertising and low-cost community channels is also recommended to inform and educate the hard-to-reach customer who may miss other messages. The recommended plan, detailed throughout this section, includes:

- Multichannel execution to ensure thorough coverage and the ability to tell incremental parts of the story through varying channels
- A broad spectrum of low-cost touches, complemented through broadcast media, to help reach a large number and diversity of customers in a short period
  - "Pulsed" broadcast message timing to coincide with the credit and elevate awareness at the
- customer access and perhaps secure more favorable media spends (direct-response media)

   Wirdehy denhoved and easily recommizable iconic
- Widely deployed and easily recognizable iconic reminders
- Shareable assets to encourage word of mouth
   A centralized website to manage information exploration, requests, data collection, and advocacy and to assist word of mouth

# **Campaign Synopsis**

As the campaign begins, broad-based communications will reach customers throughout the state through broadcast media and outdoor channels, on the Internet, in their electricity bill, and through community services. These channels will generate awareness as customers begin to hear about, recognize, and understand the Climate Dividend as an outcome of GHG reduction. As the campaign progresses, customers will be encouraged to look further into information about the dividend as well as reduce their own carbon footprint. Online resources and tools will help customers learn more about the program, emission reduction, and ways to get further involved in GHG reduction. Exposure to a digital social element designed for optimal shareability will begin to take hold. Customers will easily share a simple symbol of their support for cleaner air: a footprint that touches their Facebook, Twitter, or other social pages and travels on to their friends and associates and throughout the state. They will begin to see the footprint around their community as decals on businesses and public facilities that likewise support GHG reduction. They will share ideas, adopt more solutions, and look online and in their inboxes for information on just how far GHGs have been lowered. And they will come to understand that the Climate Dividend they've received though it will eventually go away—was a great way to share with other Californians the efforts and outcomes of lower emissions.

### Channels

Leveraging a mix of channels in a pulsed fashion helps create a general awareness of the Climate Dividend and instills a sense of something bigger for customers to engage in. This multichannel

approach has been designed in order to reach the greatest number of California residents sustainably throughout a two-year period. The channel selection also takes into consideration cost and environmental factors.

## MASS COMMUNICATIONS

Mass communications provide overall awareness of the program and context for the Climate Dividend as a representation of cleaner air. These communications ensure that customers feel somewhat informed, for when they actually receive the credit, and that the program is transparent and accessible. The messaging is





minimal, eschewing details of the program in favor of delivering a positive perception of the ultimate benefit. The visual iconography and concept for mass communications help generate a positive response in customers' minds and open the door to other messages for greater receptivity.

Mass is composed of a combination of broadcast (to include radio and TV), print (local newspapers), outdoor or out-of-home advertising (such as bus stops and mass transit in dense urban areas and billboards in others), and other wide-reaching channels. They should include a response mechanism to provide customers the means to access additional information.

## **BILL COMMUNICATIONS**

This is a critical element of the plan, as it literally touches every household that needs to be informed. However, by itself it is not likely to capture enough attention to adequately inform or educate a significant number of customers. It does, though, provide a key point of information delivery of the simple message of good news about a credit. Both the electric bill and inserts or inclusions with the bill (physical or e-bill) need to

provide a more complete, yet still brief, description of the program. The details here should center on the dividend itself, such as equal distribution, frequency, amount, and automatic credit. With their bill, customers should also see information on how to contribute to GHG reduction. A variety of suggestions and ideas—simple tips and other program solutions—can lead customers to make decisions and carry out behavioral changes ranging from driving less to installing energy-efficient home upgrades.

#### OTHER ENERGY COMPANY COMMUNICATIONS

Customers will likely seek information in a variety of ways, including checking with their electricity provider. It is important for those providers to have information on their website in support of the campaign, as well as to train their customer service reps (CSRs) on the important details of the program. Even though communications will provide a campaign URL and an 800#, some customers have revealed in research that they would still check with their provider for more information. In addition, energy companies should use campaign materials in their pay centers or other public venues, especially to assist informing the hard-toreach customer who often turns to these centers more frequently than others.

## **ONLINE MEDIA AND SEARCH**

Online and digital media help generate incremental awareness and will become an easy way for customers to take direct action in learning more about the Climate Dividend program and reducing their own GHGs. Banner ads and display advertising extend the creative concept into the online environment and should touch on a few key messages, such as dividend details, GHG definition, carbon footprint estimation, and business success stories, in order to elicit a click.

Search-related media and search engine optimization are needed to capture a natural behavior of customers: to look online for information. Creating a keyword strategy for terms such as "climate dividend," "cap and trade,, "clean air credit," "carbon footprint," "carbon auction," and even "AB 32" ensures customers find the information they need from a comprehensive resource instead of relying fully on hearsay and opinion.

# CLIMATE DIVIDEND WEBSITE

This is a centralized resource of information related

to the Climate Dividend. It provides the forum for icleas and concepts to come to life in the customers' hands while also serving as a place for customers to learn more about GHGs, how they can reduce their own carbon footprint, and how the state is tackling the problem through the cap-and-trade program and other efforts. A convenient FAQ section answers most questions in a succinct manner, while more complete details are available to those who want to become more deeply educated on the policies and practices behind the program. The website should also be a place for customers to sign up for email updates (to help maintain overall awareness levels and provide greater information sharing) as well as a place to help promote and administer social media communications and sharing.

#### EMAIL

As customers seek more information through online resources or a program 800#, they should have the opportunity to opt in for periodic email updates. These emails provide program administrators the ability to communicate important information to interested customers, keep customers informed of any changes or updates to the program, and even to report on the successful reduction of GHGs. These emails also serve as a platform to showcase



energy management solutions and GHG-reduction ( ideas to keep customers engaged and contributing 1 to positive climate change.

#### SOCIAL MEDIA

Social channels help expand reach, encourage a two-way dialogue, enable customers to share their support for the initiative, and fuel a continual vehicle for engagement by keeping the story alive (even during the months without a credit). Within this channel customers have an easily shareable message. The footprint icon serves as a badge and promotes "walking" the message of the Climate Dividend across the state, effectively promoting positive customer awareness and showing broad support for cleaner air. A microsite around the blue footprint helps facilitate this sharing and pulls customers back into a centralized and ongoing story about the impact of the cap-andtrade program (both in the form of total payouts and reduced emissions). This also helps maintain relevancy by continually adding tips/content and impact stats.

#### COMMUNITY

organizations, and others reaches those customers localized efforts help create awareness and answer civic groups, homeowner associations, city council questions in relevant, local settings. They facilitate customers on the benefits of the Climate Dividend. communications to effectively be informed. These of the Climate Dividend. They provide a venue for (CBOs) to help inform and educate hard-to-reach Grassroots-style community outreach leveraging understanding and knowledge of the advantages customers to ask questions and obtain or clarify who need special attention, translation, or other information. And, of course, they are a valuable and impactful way to maximize reach to more who rely less on mass communications and organizations, multicultural and faith-based Leverage community-based organizations isolated populations.

#### EARNED MEDIA

Though not part of the actual campaign calendar, public relations efforts can drive the press to cover the story of the California Climate Dividend. It's newsworthy that Californians are receiving

this credit, and even more compelling when it is understood that this credit is related to lowering GHG emissions. It will be important for news outlets to have the proper level of information to share this story and increase the collective level of awareness of the program. A press or media kit can help reporters quickly understand the details of the credit most relevant to customers (such as how much, how often, who gets it, and is there anything they have to do) and help them find their way through the details of cap and trade. A spokesperson for the program should be considered to help funnel information through a

# Campaign Impact

As a result of this campaign, customers should, at the very least, become more aware of the Climate Dividend. However, the plan is to enrich the message and meaning of the dividend to transform awareness into understanding. This means a customer is educated on what's behind the dividend and what it represents. The campaign

is further designed to turn that process of educating into an opportunity for a customer to become personally involved in climate change. A range of options, from simple tips to robust solutions, can make involvement pay off for customers in the form of a smaller carbon footprint. And, ultimately, some customers will become advocates for greenhouse gases, if not for the Climate Dividend itself or for the cap-and-trade program.

## **BASIC EXPERIENCE FLOW**





# **HIGH-LEVEL CAMPAIGN CALENDAR**



# **Campaign Timing**

Since the campaign will start at the beginning of 2014, it will need to capture attention rapidly so customers are not caught off guard when the credit hits their bill sometime in February. It is helpful to start the campaign in early January because the post-holiday, early-year period is typically quieter in terms of heavy media spends.

# **Campaign Phases**

#### Announce

The first campaign wave announces the Climate Dividend to the public and provides the first round of awareness generation. It runs before the credit, early enough to inform customers prior to its receipt. It will overlap briefly beyond this period to capture customers' attention after receiving the credit, which they may have already noticed on their bill. The basic concept, purpose, and nature of the campaign are established in this wave.

**2 Remind and Invite** The second campaign wave helps bring awareness levels back up and builds upon it by inviting customers deeper into the program. It will encourage customers to take action ranging from reading more information about the program to working to reduce their own GHGs. This aspect of the "invitation" is emphasized more fully in the second wave (even as response mechanisms are built into the first) to take advantage of the accumulated awareness and provide for expansion and refreshment of the overall story.

### **3** Invite and Involve

The third wave hits harder on the customer participation aspects of the campaign. At this point, it is hoped that the concept has had enough time to move through the market. This greater marketplace presence should be accompanied by higher recall and recognition. These conditions increase the relevancy and value of individual customers increasing their involvement in the campaign and GHG reduction. This involvement can help customers lower their own GHG emissions and even become advocates for clean air.



what level. For example, "We've reduced emissions of significance and credence to the program overall involvement but adds the element of "reporting out" to pre-year 2000 levels" or "emissions are reduced by 15%." This reporting can lend an increased air and add even more encouragement to customers for the first time during this final phase will ensure in other channels, including it in broadcast media gas emissions have indeed been lowered and to on the progress of GHG reductions. This simply means sharing with customers that greenhouse of energy credits disappears. While it shows up that the number of GHGs saved is at its largest to stay behind this program even as the period The fourth wave continues its emphasis on amount-making the story that much 4 Involve and Report nore powerful.

# **Tactical Add-Ons**

These tactics are currently up for consideration, as they have not been evaluated against costs nor against their impact on the environment. They do

provide valuable extensions to the campaign and increase the impact on the customer.

# **BUSINESS CLEAN AIR IDENTIFIER**

general are doing their part to help lower emissions also helps customers recognize that businesses in While the footprint will serve in its digital form as a windows to show they, too, support clean air. This The footprint logo for this program can serve as a go in their facilities, on their front doors, or in their shareable social element, it can also be executed symbol of support among customers, institutions, as a physical asset to extend its presence in the and businesses. As a symbolic tag or marker, it can show who supports lower GHGs-and it is market and impact on overall campaign results. For businesses, a physical decal or poster can an easy way to remind others to do the same. and helps create a sense of overall progress oward a positive outcome.

## CLEAN AIR INFORMATION KIT

This primary information package can deliver information on clean air solutions and on the capand-trade program to provide customers an all-in-one
# TACTICS & CHANNELS OVERVIEW

Channel	Vehicle	Marketing Purpose	Targets Reached	Messages	Call to Action	Desired Outcome	Basic Metric
Broad-Based Outreach	<ul> <li>Broadcast (TV, possibily radio)</li> <li>Print</li> <li>Out of Home</li> </ul>	<ul> <li>Generate awareness</li> <li>Ensure receptivity</li> <li>Prompt mindset</li> </ul>	<ul> <li>Read Bill</li> <li>Broad Outreach</li> </ul>	<ul> <li>Credit (dividend) is coming – air is cleaner</li> </ul>	<ul> <li>Visit Dividend</li> <li>website</li> <li>Call 800#</li> </ul>	General awareness and favorable perception	Aided awareness
Energy Company Communications	<ul> <li>On bill</li> <li>In bill</li> <li>Website</li> <li>CSRs</li> <li>On bill</li> </ul>	<ul> <li>Extend awareness</li> <li>Deliver credit details</li> <li>Encourage lowering GHGs</li> </ul>	<ul> <li>Read Bill</li> <li>Some Broad Outreach</li> <li>Some Hard to Reach (via pay centers, etc.)</li> </ul>	<ul> <li>Here is your clean air credit</li> <li>What to expect</li> <li>Allocation of revenues from cap and trade</li> </ul>	<ul> <li>Visit Dividend website</li> <li>Call 800#</li> </ul>	Customers see credit and learn more about why they are getting it, plus learn how they can learn more and take action	Satisfaction
Online & Digital	<ul> <li>Facebook</li> <li>Twitter</li> <li>Pinterest</li> <li>Reddit</li> </ul>	<ul> <li>Support awareness</li> <li>Promote GHG reduction</li> <li>Draw customers into online assets</li> </ul>	<ul> <li>Broad Outreach</li> <li>Read Bill</li> <li>Some Hard to Reach</li> </ul>	<ul> <li>Credit is coming</li> <li>What the credit means-lower industry GHGs</li> <li>Details on credit</li> <li>Ways to get involved</li> </ul>	<ul> <li>Click to learn more about:</li> <li>the Dividend</li> <li>reducing GHGs</li> </ul>	Customers encounter information as they search online for answers. Clicking through brings them to primary resource for information and action	Number of impressions and Click-through rate
Social & Word of Mouth	<ul> <li>Facebook</li> <li>Twitter</li> <li>Pinterest</li> <li>Reddit</li> </ul>	<ul> <li>Provide more persistent avarances and interaction</li> <li>Promote advocacy</li> <li>Provide direct communications</li> </ul>	<ul> <li>Opportunities for all targets given diverse set of social sites available and grassroots nature of word of mouth</li> </ul>	<ul> <li>Show your support</li> <li>Share your tips</li> <li>Learn how many GHGs have been reduced</li> </ul>	<ul> <li>Collect the tag</li> <li>Share the tag</li> <li>Learn more</li> <li>Share tips</li> </ul>	Californians see and share broad public support of smaller carbon footprint while learning from each other and program representatives	Social sentiment (mentions, positive vs. negative) Tag pass-along
Community Based Outreach	Territory-specific     CB0s     Ethnic focused local     businesses	<ul> <li>Inform the hard-to- reach target</li> <li>Expand local awateness and presence</li> <li>Embrace local resources</li> </ul>	Hard to Reach	<ul> <li>Credit is coming- air is cleaner</li> <li>Credit details</li> <li>What to expect, what it means</li> <li>Ways to get involved</li> </ul>	<ul> <li>Learn how to reduce their own carbon footprint</li> </ul>	Hard-to-reach customers use community resources and outurat centers to learn about the colimate optidend and understand its meaning and essential	Aided awareness among Hard to Reach



resource. It could feature a number of GHG-reducing strategies along with an overview of where the state is in terms of total GHG output and where it is planning on being by 2020. While this information can all be made available online as well, the development of the kit helps serve customers who may lack such access, provides a platform for translation into other languages, and can be distributed through community-based organizations. If done in a helpful and added-value manner, it can also be something the customers request through the direct-response component of other vehicles.

### DIVIDEND DONATION

Customers have expressed some desire to be able to donate their individual dividend to an environmental program or charity. While it is expected that only a few customers would actually do so, the option to donate supports the idea that the ultimate benefit is GHG reduction and that the individual customer can help make that happen. It showcases suitable causes and can even be localized to highlight solutions specific to the customer's community. The means to do so through messaging on the bill may be too difficult to carry out. A viable way to achieve this is by sharing the names of recipient charities or programs and encouraging the customer to take all other necessary actions.

#### Overall Budget Exercise for a Meaningful Impact

Determining an optimal spend level is certainly a challenge. Without specific awareness-level goals, and a way to put a "value" on that awareness, the ideal spend level is difficult to definitively provide. However, an approach was developed to calculate a probable level of spend based on two related perspectives:

- 1. A percentage of total revenue allocated
  - 2. A reasonable spend per customer

Given the total number of households in California, and a working conservative average of \$40° per household each year, a fairly sizable amount of money will be distributed through this dividend each year: \$500MM. In order to maximize awareness of the dividend while keeping its total value mostly intact, this exercise aimed for 5–10% of that amount as a general guideline, equaling roughly \$25MM–50MM per year.

What that dollar amount means at a per-household level was then considered. The percentage noted above (5–10% of the total) means a \$2–4 marketing spend per household. While the grand total above does, by itself, appear large, the actual customer-level spend seems reasonable, especially considering all the additional energy-saving benefits customers can receive from this plan. To evaluate the total dollars arrived at by this approach, a media perspective for the spend level was developed. In the basic media model theorized (covered in detail in Section 7 of this document), the budget levels under consideration were capable of delivering a meaningful level of awareness when used across mass, digital, community, and other channels.

The chart at right provides the results of this budget exercise and an allocation of outreach funds. It is based on reasonable marketing practices in order to hit a meaningful awareness goal. Note that an actual spend should be developed for rollout as program details firm up. Also note that the budgets shown take a conservative approach, landing roughly in the 5.5–7% range based on the basic formula above.

\*These figures will vary as credit amounts are not actual and should be used as a guide for the final spend levels.

# \$35MM BUDGET YEAR 1

ACTICS / ACTIVITIES	SIMM	% OF SPEND	
/lass (Broadcast, Radio, OOH, Local Newspapers/Pubs)	\$20.0	57%	
Online (Display, Search, Website, Social)	\$7.0	20%	
Energy Company (Bill Stuffers, Company Website, Pay Center)	\$6.0	17%	
Community (CBOs, Events)	\$2.0	6%	
OTAL	\$35.0	100%	

# \$28MM BUDGET YEAR 2

TACTICS / ACTIVITIES	S'MM	% OF SPEND	
Mass (Broadcast, Radio, OOH, Local Newspapers/Pubs)	\$13.0	48%	
Online (Display, Search, Website, Social)	\$7.0	26%	
Energy Company (Bill Stuffers, Company Website, Pay Center)	\$5.5	20%	
Community (Local, CBOs, Events)	\$1.5	%9	
TOTAL	\$27.0	100%	

Source: Mark Baldassare et al., "PPIC Statewide Survey: Californians and the Environment," July 2012.







### Generating Insights Development for Creative

messaging. These focus groups were conducted in Three sessions of qualitative research were held communications approach and Climate Dividend in May 2013 to assist in the development of the San Diego, Riverside, and Sunnyvale.

### Stimuli (both concept statements and visual direction) were used to:

- Understand current awareness (if any) and perceptions of the program.
  - Explore comprehension and perceived relevance of the program (based on a
- Identify perceived benefits of the program, anticipated actions taken as a result, etc. written description).
- Explore receptivity, relevance, and comprehension of a number of conceptual messages for the program.

# Recommended Content Direction

### Introductory copy:

Climate Dividend were presented to focus group participants. The participants were also provided Six copy options introducing the California with the following explanation:

electricity bill called the California Climate Dividend. emissions, customers will receive a credit on their As a result of industries working to reduce their

#### **Option 1**

With the California Climate Dividend, we're helping our customers manage their energy costs while helping to make a cleaner California.

#### **Option 2**

incentive to help decrease CO2 levels and slow The California Climate Dividend is a financial down climate change.

#### **Option 3**

The California Climate Dividend is your invitation to help the environment by being more energyefficient and reducing your greenhouse gases.

#### **Option 4**

utilities and other industries are taking action to The California Climate Dividend is proof that reduce greenhouse gases.

#### **Option 5**

company participation in a greenhouse gas capdistribution of revenue generated through utility The California Climate Dividend is a public and-trade auction.

#### **Option 6**

The California Climate Dividend is a way to help customers offset rising costs related to reducing greenhouse gases.

incentives are directed at residential customers, the respondents generally reacted to these statements the program and a universal assumption that the Research,"1 given their lack of familiarity with According to the "Summary of Qualitative with skepticism and confusion:

- Most expressed skepticism about any
- communications from their energy provider.

- This skepticism was heightened when it was perceived from these statements that they
  - Most indicated a desire for some additional were getting "money for nothing." •
- up, but wanted to know where they could go to Many admitted that they were unlikely to follow explanation.

find more detail.

**Positive elements** included:

- Financial incentive Helps reduce CO2
- Reducing greenhouse gases levels
  - Helping to make a cleaner California

revenue

•

- Being more energyefficient
- Help offset rising costs .

#### **Negative elements** included: Neutral/mixed elements included:

California Climate •

Proof the utilities are

taking action **Rising costs** 

Invitation to help

- As a result of industries Dividend
  - working to reduce emissions
  - Public distribution of
- Cap-and-trade auction Revenue
  - greenhouse gases Reducing your
- Helping our customers
  - manage .
    - Utility company participation



When describing the Climate Dividend, it will be important to follow these guideposts:

#### SAY

Explain "dividend" using basic benefits

- Helps clean the air
- Helps the environment
   Slows down climate change
  - - Improves air quality
- Makes for a cleaner California
  Lead with credit: mention first, explain how much and

when they'll receive it

- Equality: all households receive credit
   + same amount
   ...
- Twice-yearly credit (amount, how often)

#### DON'T SAY

- Cap and trade: descriptions bring up questions and suspicions
- Tighter cap on industries: sounds like it might be hard on business
- Limits on the amount of GHGs: confusing, just say "reduced"
  - Businesses trading credits: brought to mind corruption and administrative costs

### How to Describe Climate Dividend

### CONCEPT A

The California cap-and-trade program limits the amount of greenhouse gas (GHG) industrial customers can emit. Every year, the cap, or upper limit, on that amount is reduced. Industries are encouraged to trade credits earned when they are under their limit with other industries that may be over the limit through a GHG auction. As a result of public utility company participation in that auction, you'll notice a credit on your monthly bill, called the California Climate Dividend. It's an allocation of public utility revenue returned to the general public.

#### Findings:

- Customers were in general agreement that reducing GHG emissions was an important goal.
  - The reference to their energy provider participating raised significant questions and concerns.
- Most rejected explanations that began with references to "cap and trade," noting that it was confusing or controversial.
- Few readily understood this explanation, and most indicated they had little interest in these details.
- Most felt this final sentence sounded too much like legal jargon and was not written conversationally enough for their liking.

#### CONCEPT B

The California Climate Dividend is a credit you will receive on your electricity bill as an outcome of the California Greenhouse Gas (GHG) Cap-and-Trade program. In this program, businesses have a cap on the level of GHG they can emit. Plus, they can trade credits with other businesses to manage those levels. Because public utilities are participating in this program, they are generating additional revenue, which is then returned to customers. The California Climate Dividend you receive will help offset costs related to the price of carbon emissions and add support to the success of the cap-and-trade program.

#### Findings:

- Starting with a mention of credit was deemed appealing and attention-getting.
- Among those who comprehended the potential impact of cap and trade, this was viewed as a factual and honest rationale for the dividend—but it raised negative concerns for most.
- Some liked the "branding" of the program, although most reacted negatively to the reference to cap and trade.
- This explanation raised more questions than necessary and reinforced concerns about energy providers profiting from the exchange.

### CONCEPT C

The California Greenhouse Gas (GHG) Cap-and-Trade program creates an economic incentive that encourages businesses to reduce their GHG emissions. An ever-tighter cap on the amount of GHG a business can emit coupled with the ability to trade GHG credits with other businesses will provide financial stimulus for innovation and efficiency. Likewise, the California Climate Dividend will provide customers with a twice-yearly credit on their energy bill to help manage energy costs while promoting participation in creating a cleaner, more energy-efficient California.

#### Findings:

- Most dismissed the description as unnecessarily detailed.
  - All liked the indication of frequency.
     Few understood how the promise of "managing" energy
- Participants were mixed in reaction, noting that reducing
  - ratiocipants were mixed in reaction, noting that reducing emissions was helpful by way of explanation, but questioned the "soft" wording.
- Few found "while promoting participation" credible. Seen as an "over-reach" for a program that did little to encourage residential customers to reduce or conserve.



#### CONCEPT D

The credit you receive on your energy bill is called the California Climate Dividend. This credit is part of California's cap-and-trade program, which motivates industries to meet strict environmental goals to reduce greenhouse gas (GHG) emissions. California has set an aggressive goal for reducing greenhouse gases like CO2 in our atmosphere. The California Climate Dividend provides an economic incentive for all energy consumers to leave behind a smaller carbon footprint.

#### **Findings**:

- This was generally the most preferred concept. It was seen as starting with the right detail, providing "just enough" explanation to inform without raising concerns.
- Many liked the notion of a smaller carbon footprint, while noting that this program really only applied to business.
- Few believed that it provides an economic incentive for all energy consumers, and some noted that it was not a credible claim for an "industry-focused" incentive program.

### Visual/Conceptual Stimuli (Adlobs)





#### "Footprint"

Bit by bit, change by change, we're making a difference in California. Emission reductions are happening and it's reflected in our carbon footprint. It's getting cleaner.





"Working Together"

climate change, we're working together. when it comes to important issues like bigger challenge is much easier-and In California, we're all individuals, but individual ways, chipping away at the If we each do our part, in our own we can make a difference sooner.



things Californians love to do. And we're and you can see it in all of us. We're We're making change in Californialooking forward to a brighter future. outside, enjoying life, doing all the "Change Is in the Air"





our air and reducing emissions. Because great things. Together we're cleaning up The spirit of California is BIG. We all do we won't be limited. Living LARGE is "The Spirit of California" what we do.





money to offset any increases in the cost of The Climate Dividend will give Californians electricity caused by emission reductions. "Money for You"



# Focus Group Findings

## **KEY LEARNINGS INCLUDE:**

- Limited awareness: None of the participants within this study had any prior awareness of the California Climate Dividend.
- prepared to make the connection with a reward Connection with dividend: Consumers are for reducing energy consumption.
  - Favorable reaction: The majority of customers reacted favorably when this was referenced as context for the dividend. Customers are agreed with reducing GHG emissions and generally pleased with receiving a credit.
- Simplicity: A simple "reason why" often seemed assurances about the source and impact of the enough to satisfy customers. Consumers want Customers ultimately need the explanation to detail on cap-and-trade or revenue allocation. be simple, straightforward, and non-technical. credit, but do not need or even want a lot of

creative development team with clear direction and Reactions to the stimuli presented provided the a strong leaning toward two of the concepts:

### "Footprint" was selected first by all groups

- Brand mark/icon helped customers relate to dividend.
- Add more nature and environmental shots with footprint.

### "Spirit" caught their eye, but needed more explanation

- Use a native animal (bear).
- May be "too far" from topic of dividend.

purposes of this document. A full creative concept "Footprint" as the recommended direction for the the decision was made to move forward with Based on those reactions and preferences, will be developed at a later date.

NOTE: Additional Qualitative Research details are provided in Section 2 and a complete summary is ncluded in the appendix of this document.

# **Recommended Creative Direction**

# California's Footprint Is Changing

Bit by bit, change by change, Californians are making a difference. Emission reductions are happening and it's reflected in California's carbon footprint. It's getting greener as the air is getting cleaner. We're helping Californians become informed and educated that climate change is being addressed and the air is getting cleaner. The California darfersed and the air is getting cleaner. The California sign of cleaner air – and a confident step in the right direction it's a fresh step forward.

The idea behind this creative concept is simple: associate the reduction in GHGs to individuals living in and enjoying California.

### EXECUTION

This umbrella concept is executed visually using the symbol of a footprint. The stylized footprint, made from the shape of the state, is a symbol of the California Climate Dividend. It is integrated into imagery of people enjoying the California landscape. The tone of the copy is motivating and clearly and simply explains that the California Climate Dividend shows California's commitment to improving the air quality of the state for the enjoyment of all its residents.

### RATIONALE

- Provide a positive approach with a solution-oriented focus.
- 2. Start with the simplest, most basic aspect of the story.
  - Encourage customers who want to know more to "self-serve."

### WHY THIS WORKS

It's simple: Californians want straightforward and candid information about the California Climate Dividend. They don't need or even want a lot of detail on cap and trade or revenue allocation. It's enough that it's a symbolic gesture that action is being taken. And customers are satisfied with minimal information

It's positive: Californians agree with reducing greenhouse gas emissions and reacted favorably when it was referenced as context for the California Climate Dividend.

It's relatable: The barefoot visual is a familiar part of life for Californians. Whether at the beach, in the backyard, or in the house, the climate allows for laid-back, sock-free days year-round.

misunderstanding and its association with investments (and the associated tax exposure, for those familiar with the term in the investment arena). If the name remains unchanged, explanatory text should make significant use of the term 'credit' to telegraph the customer benefit and minimize contusion." (Paul Peterson, King Brown Partners, "Climate Dividend Communications: Summary of Qualitative Research," June 2013.) It was discovered during the May 2013 qualitative research that "consideration should be given to the use of the term 'dividend' in describing the credit, given its potential for

In an effort to minimize this potential misunderstanding and to create stronger branding for the California Climate Dividend, a number of name options were presented during the research sessions. "California Clean Air Credit" was most preferred by respondents.



It's believable: There's no reason to imply a broader purpose of the impact of the program (e.g., implying that it could serve as an incentive for all customers to be more green). Californians like that it stresses the improvements to benefit all Californians. It's reassuring: Californians want reassurances about the source and the impact of the credit. (Revenue generated from the program is paid out to customers; it's not funded from a state budget nor a refund of overcharges; it can help offset any economic impact of the program on prices or rates.)

### TACTIC EXAMPLES

The following shows some of the ways this creative direction could be executed in a variety of channels.



Mass





Print

<mark>8</mark>



Outdoor









Transit



### **ENERGY STATEMENTS**



### On Bill Message - Long Form

#### We're taking steps to improve our air. You're getting the credit.

As industries work to reduce their greenhouse gas emissions, California electric customers are receiving a clean air credit. Learn more at freshstepforward.com.



### On Bill Message - Short Form

#### You're getting the credit. We're taking steps to improve our air.

their greenhouse gas emissions. California electric customens are receiving a clean air credit. Learn more at freshstepforward.com. As industries work to reduce

Fresh Sep Counted

On Bill Message - Short Form Vertical

CALIFORNIA CLIMATE DIVIDEND



To learn more about the California Climate Dividend, visit FreshStepForward.com today.

### DRAFT: NOT FOR EXECUT

Greenhouse gas emissions are threatening what we love about California. So, we're doing something about it. Step by step. Neighborthood to neighborthood. Town to town.

This month you're receiving a credit on your monthly bill called the California Climate Dividend. It's as a result of industries working to reduce their emissions.

Together, we're creating a path to a cleaner California. And helping to make a cleaner California for all to enjoy, one step at a time.





Statement Insert - Front and Back



#### Online



Website

**DRAFT: NOT FOR EXECUTION** 



Email





Community



80



EL CAPITAN IN YOSEMITE NATIONAL PARK Benchmarks and M Resymmet R.11-03-012 UNC/j Appendix 1-90



The primary objective of the public outreach program is to inform and educate customers on the California Climate Dividend. This can be broken down into four key objectives:

- Generate awareness
- Promote understanding
  - Motivate involvement
    - Produce advocacy

These specific objectives are translated into key metrics that can be benchmarked and tracked over time to aid in optimizing the campaign's tactics, messaging, and spend levels. This section is intended to provide guidelines on how to benchmark and measure the program's success. Additionally, general expectations as to the levels of success that might be reached are also provided.

### Measurement and Tracking

A holistic measurement plan that includes a single research tracker along with quantifiable observations (such as campaign performance metrics, social sentiment, calls to the call centers, etc.) is recommended to track success and optimize spend against customer objectives across the lifespan of the campaign. Given the semiannual timing of the Climate Dividend, a test pilot is not recommended. The suggested approach is to execute the full implementation plan in Phase I, measure the outcomes, and then refine the plan for Phase II. Each phase should be refined based on the measurement results of the earlier phase.



### HOLISTIC MEASUREMENT PLAN Kev to any measurement plan is the

Key to any measurement plan is the identification of fundamental success metrics. For the CA Climate Dividend, these success metrics are awareness, understanding, involvement, and advocacy.

In addition to the fundamental success metrics, the measurement plan should also capture diagnostic measures to effectively inform the program's evolution. Diagnostic metrics provide vital insights that answer the where, why, how, and when that contribute to the program's success. These metrics are often the guideposts for refining mix, timing, and messaging.

To the right is an example of both success metrics and diagnostic metrics to consider.

	Awareness	Interaction & Understanding	Involvement	Advocac	ž
s s	<ul> <li>Self-reported aided awareness</li> <li>Self-reported unaided aware- ness</li> </ul>	Indicators of Under- standing • Safi-reported Climate Divi- dend connection to GHG reduc- tion • Self-reported connection to cap and trade	<ul> <li>Self-reported intent to reduce footprint</li> <li>Self-reported action taken to reduce footprint</li> </ul>	<ul> <li>Self-report advocacy</li> <li>Pass-along</li> <li>Sharing of Climate Di info on soo networks</li> </ul>	ed J tags CA vidend cial
		Indicators of Seeking More Information: • Self-reported search for fur- ther information Email click- through • Banner clicks • Search • Site visits			
tic	Self-reported source of awareness	<ul> <li>Self-reported</li> <li>source of under- standing</li> <li>Self-reported</li> <li>timing of under- standing</li> <li>Sentiment</li> </ul>	<ul> <li>Self-reported motivation for involvement</li> <li>Self-reported barriers to involvement</li> <li>Self-reported beliefs</li> </ul>	Social sen	timent



A thorough measurement plan can account for all channels and communication vehicles as well. While a broad research tracker can provide a holistic view of key metrics across multiple channels, specific observations should be quantified at the channel and vehicle levels. This detail provides the basis for evolving the plan over time. This table provides a high-level view of the kinds of data points that can be captured across the recommended channels.

# **Tracking Vehicles**

### PRIMARY RESEARCH QUARTERLY TRACKING STUDY

Many of the success and diagnostic metrics for the program will be self-reported by customers. This is particularly true for measuring objectives against Phases I–III (awareness, understanding, involvement). As such, quarterly tracking of awareness, understanding, and sentiment toward the Climate Dividend is recommended. Primary research is also the most effective means for measuring the total impact of multiple channels.

Channel	Vehicle	Primary Research	Quantifiable Observations by Channel Vehicle
Mass	AII		GRPs, TRPs, reach, effective frequency
Electricity Provider	Bill		URL-specific landing page visits
	Website		Visits, duration, referrals, page views, etc.
	Email	Primary research is channel-agnostic, providing basic	Opens, click- throughs
	CSR	metrics at the overall state. Key Metrics:	# of calls by nature of call (classify customer questions)
Digital	Website	<ul> <li>awareness</li> <li>understanding</li> <li>intent</li> </ul>	Visits, duration, referrals, page views, etc.
	Banner		Traffic, referral sites
	Search		Traffic, keywords, visit types
Social			Interactions, social sentiment
Community			Reach & sentiment

### **PROPOSED SPECIFICATIONS FOR RESEARCH TRACKING**

customer segments. Both land lines and cell lines However, as with any research collection method should be used to minimize demographic skews. are recommended to reach a broad spectrum of should be weighted to adequately represent the demographic skews will occur. As such, results **Collection method** Telephone interviews customer demographic makeup of California.

communication plan. At the DMA level, a minimum the ability to read changes in awareness with each of 300 interviews is recommended. This supports level will help inform further refinements to the Quantity Conducting interviews at the DMA Climate Dividend distribution.

Timing A quarterly frequency is recommended as well as the point in time most distant from the dividend distribution. This schedule will provide to coincide with the distribution of the dividend, both peak and off-peak levels.

include all metrics that may be beneficial to include. measure within the tracking study are noted below. This is only intended as a guideline and does not Key metrics Some of the key metrics to

- Unaided awareness
  - Aided awareness
- Reaction (sentiment)
- Sought more information
- Where information was sought
- Reaction to the additional information source
  - Intent to seek more information

### **MASS MEDIA REACH**

Broad outreach should also be measured with standard industry metrics.

- Effective frequency
- Gross rating point (GRP)
- Target rating point (TRP)
- Reach (total households exposed at least once)

# ENERGY COMPANY TRACKING

regarding the CA Climate Dividend and basic email should follow the same guidelines for digital and be included in the plan. Tracking with providers online efforts as noted below. Other data points for measurement include tallying inbound calls with the customer's energy provider can also Both inbound and outbound communications tracking metrics (opens and click-throughs).



# **DIGITAL AND ONLINE TRACKING**

measurement plan, landing pages and websites Digital metrics should be considered well before campaign launch. If chosen for inclusion in the need to be appropriately tagged in advance.

#### Website

- (including visits, repeat visitors, duration, Standard metrics should be established page views, and referrals).
- tagging content on landing pages to ensure Careful attention should be paid to a thorough evaluation.
- Measure/monitor traffic to the site through an online analytical tool, such as Google Analytics.

#### Banner

 Measure/monitor banner clicks, placements, and referrals.

#### Search

- Measure/monitor organic search through online analytical tools.
  - Share of traffic from search
- Most-used search keywords to drive traffic to site
  - Most-used search keywords to drive .

traffic to goals on site (if the site has a "goal")

Segment visit types by search vs. Landing pages for the keywords referral and/or direct visits • .

### Social tracking

opportunity to gain more insights through social-site customers can easily share a simple symbol of their element designed for optimal "share-ability" where monitoring. General guidelines for monitoring the The recommended plan includes a digital social support for cleaner air. This provides an social sites include:

- Twitter
- Incorporate a hashtag into marketing of the dividend (e.g., #DividendCA or #CleanAirCA)
- Create a specific California Climate Dividend Twitter account
  - Measure
- 1. Hashtag mentions
  - 2. Account mentions
    - 3. Retweets
      - 4. Favorites
- 5. Replies
- Sentiment

#### Facebook

- Create a Facebook page for the dividend
- Measure
- 1. Page likes/dislikes
  - 2. Post likes/dislikes
    - 3. Views
- 4. Comments
- 5. Sentiment

It may also be possible to measure positive and negative social buzz with social sentiment measurement tools. However, a sentiment analysis generally requires a large sample of references to be valid and, therefore, may not be able to provide meaningful insight.

### COMMUNITY-BASED ORGANIZATIONS (LOCAL EFFORTS)

Metrics for community-based efforts will vary with the specific tactics employed. Ideally, reach and sentiment are measured through various means, including the following:

- Event attendance
- Event intercept surveys
  - Inquiry rates
- Positive press articles
- Frequency of one-on-one interactions with communities

variation from campaign to campaign.

### EARNED MEDIA

If measuring earned media is included in the final plan, it will be important to understand content analysis (for a qualitative evaluation of what is being said) and source strength (for a quantitative evaluation of earned-media impressions). Earned media can be measured in a variety of ways, including:

- Total earned-media impressions
   Total media outlets (trade outlets, TV, radio,
  - blogs, online, etc.)
    - Press release repost impressions

#### BENCHMARKING: EXPECTATIONS FOR ACHIEVABLE AWARENESS, UNDERSTANDING, AND INVOLVEMENT

UNDERSTANDING, AND INVOLVEMENT True benchmarks for the key success metrics (i.e., awareness, understanding, involvement, and advocacy) will be established based on Phase I metrics. However, expectations can be loosely set based on historical campaign launches. This is particularly true for awareness, where industry models exist for forecasting awareness against spend levels. Expectations for interaction, understanding, involvement, and social advocacy are not as easily established. These outcomes are not as predictable and typically show much



### **EXPECTATIONS**

assumptions are based on a pulse flighting strategy awareness\* during the peak periods of dividend 10-15% during off periods. These awareness rather than a continuous-exposure approach. program, supported by both paid and earned The CA California Dividend Public Outreach media, could generate as much as 40-60% distribution. Awareness could dip to around

about half of the awareness level, based on research connection to GHG reduction, could potentially reach Understanding, defined as the Climate Dividend's

a program that reduces GHGs is a reasonable step for Once aware, connecting the CA California Dividend to and trade-how it works, how the money is generated, customers; any expectations of understanding at this customers. Taking understanding to the level of cap and observations made during qualitative groups. and how it is allocated-is a monumental step for level should be minimal.

Awareness is measured at the household level. \*Awareness refers to aided awareness only.

	Announce	Remind & Invite	Invite & Involve	Involve & Report
Awareness*	40–60% Peak Awareness	40–60% Peak Awareness	40–60% Peak Awareness	40–60% Peak Awareness
Understanding <sup>†</sup>	15–20%	20–30%	30-45%	30–45%
Involvement <sup>‡</sup>	1–5%	5-10%	10–15%	15–20%
Advocacy <sup>‡</sup>	< 2%	1–5%	1–5%	5-8%

\*Assumptions for awareness levels include multi-channel execution that includes \$20MM pulse flighting media spend followed by earned media. It also assumes PEAK awareness during CA Climate Dividend distribution. "Derived from the May 2013 quantitative and qualitative studies."

The previous estimates for understanding, involvement, and advocacy are based on customer response to the May 2013 studies and a few recent industry-related observations. Estimated awareness is based on modeling and other data points of reference. The methodology behind the awareness expectation is provided in greater detail below.

### ARRIVING AT ESTIMATED AWARENESS BASED ON BROADCAST MEDIA

For the purpose of creating a general expectation of awareness, a media awareness model was employed. Media awareness models consider hundreds of case histories of media impact on awareness. They require parameters to be set regarding levels of spend, flighting patterns, types of media, and duration. Various scenarios were evaluated for the purposes of establishing some baseline expectations. These expectations were further refined based on customer segments as defined in the Customer Targets section of this report (Section 4).

### AWARENESS RANGES AND THE IMPACT OF MEDIA

For benchmarking achievable awareness levels, a straw man media plan was used to generate a baseline. The plan assumes a \$20MM annual spend focused on TV (highest awareness

generator) and employs an 8-week pulse flighting strategy. This plan is not intended as a final spend level or media mix recommendation. Its only use is to create a baseline, low-end benchmark.

This approach is capable of generating a 50– 60% aided awareness level across California households. With the pulse approach, awareness peaks during credit deployment and then decays considerably thereafter.

# \$20MM ANNUAL SPEND PULSE FLIGHTING (Broadcast Spend Only)



(Y2) for 8 weeks prior to advertising, it measures he exposure frequency. advertising impact. It is calculated as a percent four exposures, you would have 120 GRP.) Gross Rating Point. A reached multiplied by market and give them hus, if you advertise GRPs per week (Y1); standard measure in to 30% of the target 413 GRPs per week of the target market credit deployment. Assumptions: 433 GRP stands for

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A comparative spend level deployed as a continuous flight (all year) would typically result in a steady awareness level that would peak after 10 weeks and then remain flat throughout the 2-year duration. At the same spend level of \$20MM per year, the maximum awareness level with the continuous flight is expected to be approximately 30% lower than the pulsing strategy peak awareness levels (35–40%). A higher media spend of \$55MM annually with a pulse flighting approach could generate awareness peaks in the range of 70%.

# THE IMPACT OF EARNED MEDIA

A significant opportunity exists to generate awareness through earned media. A study conducted in 2011 shows that earned media alone generates a respectable level of awareness and, in combination with paid media, can bolster awareness by as much as 60% over levels achieved with paid media alone.

### Earned and Paid Media's Effect on Brand Awareness in the US, May 2011

% of respondents identifying brand	
Earned	29%
Brand creative	24%
Paid	24%
Earned/paid	39%
All three	38%
Control 6%	

Note: n=1,800 Source: Synaptic Digital and Kantar Video, "Teiling a Story that Scales: Source: Synaptic Digital and Kantar Video, "Teiling a Story that Scales: 129197 www.eMarktetor.com

The sequence of paid versus earned also impacts awareness. Awareness is maximized when earned media follows paid:

# HITTING A MEANINGFUL MARK

A pulse flighting strategy employed eight weeks prior to each dividend distribution would achieve a meaningful result. The \$20MM first-year media budget speculated in this exercise appears sufficient to support a reasonable level of awareness.

Considering the media model, the customer segments, and typical impacts of mass followed by earn, plus the mix of tactics and channels contained within this Strategic Road Map, a conservative goal for awareness would be a maximum awareness level just under 60%. **This is a directional goal and should not be perceived as a forecast.**  These potential goals are based on the assumption that mass media with a \$20MM pulse flighting approach, supported by other recommended channels, will generate 45% awareness (can be up to 55%). Earned media is assumed to generate an additional 40% lift over mass (can be up to 60%). Earned media is assumed to have less incremental impact (10%) among customers who may also see the dividend on their bill.

# RESULTS BY SEQUENCE (EARNED AND PAID)

		CONTROL	EARNED + PAID	DELTA
INAIDED BRAND	PAID <b>FARNED</b>	6%	42%	+36%
AWARENESS	EARNED PAID	6%	37%	+31%

Source: Synaptic Digital and Kantar Video, "Telling a Story that Scales: Earned & Paid Newsworthy Formats and Brand Advertising," June 21, 2011.

TOTAL	100%		TOTAL	45%	45%	58%
HARD TO REACH	13%	K AWARENESS	HARD TO REACH	5%	2%	7%
BROAD OUTREACH	62%	EXPECTED PEA	BROAD OUTREACH	45%	18%	63%
READ BILL	25%		READ BILL	66%	7%	73%
	California Customers			Awareness From Broad Outeach & Bill	Incremental Awareness From Earned	Total Awareness Among Segment



### Summary

A holistic measurement plan is recommended to track the success of the program and support program refinement. With each phase, measurement will enable the evolution of the plan and help optimize the overall spend level to gain maximum effectiveness. Key points:

- Primary research is recommended to measure the overall effectiveness of the program. It also serves as a diagnostic tool that can uncover barriers to awareness or understanding.
- Metrics at the channel level provide the needed insight to optimize the mix of channels and tactics against spend and maximum effectiveness in generating awareness and understanding.

Benchmarks for success cannot be established until Phase I deployment and measurement. However, with the recommended plans outlined in this document, it is reasonable to reach awareness levels in the 40–60% range during peak dividend deployment times.






## Program manage-ment and dividend delivery options

# **PROGRAM MANAGEMENT APPROACH**

Defining the right program architecture programs currently employed by both government to find administration models for similar outreach and organization to achieve the goals and private entities were studied. The goal was models for the CA Climate Dividend program, When considering potential implementation marketing strategies.

## Government implementations of statewide awareness campaigns

businesses can shop for health insurance plans. Two to educate and engage citizens in a health insurance recent white papers<sup>1,2</sup> provide insight and guidance Affordable Care Act (PPACA), state agencies have been charged with creating awareness campaigns As part of the 2010 U.S. Patient Protection and exchange through which individuals and small in educating a population on such a program.

aspects of their implementation-strategic platforms, segmentation, media purchases, and partnerships approaches taken by the states of Massachusetts Based on the marketing outreach implementation and Maryland, these white papers cover many

and coordinated through that central entity, to help These implementation approaches are relevant to utilized local clubs and/or organizations, managed audiences. In addition, both statewide programs the CA Climate Dividend program, as they each present a unifying message tailored to specific create genuine relevance with their messages. used a central campaign entity to develop and

encourage citizens to pay attention and take action. implemented at a local level in a way that would create an ongoing mass campaign with unifying Examples of how the Massachusetts education For each state's effort, having a central agency it was very effective. However, it needed to be messaging that humanizes and depoliticizes program created relevancy include:

Sox to connect and engage a largely uninsured Jumbotron, in partnership with the Boston Red Fan testimonials shown on the Fenway Park segment-young males  Delivery of informational flyers, in partnership with the Massachusetts Department of Revenue, in advance of the tax penalty deadline to alert customers of the tax break while they are preparing their tax returns These two campaigns were considered successful in their ability to create awareness of the new program and an impetus to act in customers. The key takeaway for the CA Climate Dividend program is that a central agency who managed an overarching strategic awareness campaign supported by local entities for more targeted, relevant messaging was successful and impactful for both of these state-level efforts.

## Private-company marketing outreach campaigns

Often, a company's business model, goals, and size are the driving factors in determining the best plan for implementation. We therefore looked to the private sector to gain additional insight into viable administration models.

For an organization that needs both awareness and localized relevance, it is most common to use both a central and distributed approach for implementation. That is, marketing strategy and master messaging

are handled through a central resource, while more localized marketing activities are decentralized to business units where the interaction with the customer happens, but the organization has the capability to act on a coordinated basis.<sup>3</sup> This model allows for a consistent approach with strategic messaging, creative, analytics, and measurement, while simultaneously creating flexibility for the team that is closest to the customer. The corporate message remains consistent, while customer touchpoints create increased satisfaction and engagement. This level of local and immediate action creates unique opportunities to turn awareness into engagement.

This model is typically implemented in private industry by organizations that have many different locations and, therefore, many different types of customers. By utilizing this franchise-type model, the organizations are able to create a consistent awareness campaign while allowing the field locations to drive relevant messaging. After a review of successful implementation models, the next step was to understand the feasibility and potential ability for a third-party administrator to manage and implement the recommended Climate Dividend outreach campaign.



### VIABILITY OF USING ONLY A THIDD\_DADTY ADMINISTRATO

THIRD-PARTY ADMINISTRATOR The benefits and feasibility of utilizing a third-party administrator to implement the CA Climate Dividend education program were considered relative to the requirements dictated by the strategy – an overarching awareness campaign supported through local/regional relevance. This strategy will encourage customers to engage with and investigate the Climate Dividend initiative. This awareness and interaction will create a customer response that will need to be prepared for and managed successfully.

Given these objectives, and understanding that the management of this customer response will be critical to awareness and satisfaction, it will be very difficult for an external administrator to implement and support certain aspects in an effective and efficient manner. For example:

- Management and maintenance of CA Climate
  Dividend content on electricity provider websites
  - Training of call center representatives
- Implementation and management of bill inserts

It is possible that the added costs for a central administrator to support these localized and specialized requirements would reduce available

outreach budget, or even reduce the amount delivered back to customers, thereby reducing the overall impact and satisfaction with the program. Finally, administering the program through the energy providers adds the benefit of expanding the customer opportunity. That is, when customers engage to learn more, the opportunity exists to extend the conversation with an introduction to energy-efficiency and demand response programs.

# STRATEGIC RECOMMENDATION

The strategic recommendation for implementation and administration of the CA Climate Dividend program builds upon the successes detailed in the third-party research above combined with the experience and expertise of the individual energy providers. It is recommended to have one statewide administrating body, such as an outreach agency, reporting to the PUC or one of the energy providers, who manages the overarching strategic messaging, branding, and awareness campaigns while enabling each energy provider to support it with localized messaging relevant to its specific customers.

tactics (including program integration) right where website development) at the statewide level while allowing for the implementation of local-marketing This recommendation will provide the benefit of a consistent awareness message (mass media, the interaction with the customer happens.

Additionally, the advantage of the local influence is connection to a local strategy, including customer managing the awareness message from a single relevance (segmentation and messaging) driven centralized administrator to building awareness financial cost efficiencies of larger media buys. The advantages of this approach range from with consistent creative messaging and the through localized media buys, social media interactions, and literature.

enhance the uniformity of the message and eliminate maximizing statewide awareness. This approach will customer confusion arising from multiple executions of the overarching strategy. The California Climate has been created to set the messaging standards, Dividend Public Outreach Program Kit is available As an example of how a central message can be managed centrally but distributed locally, a toolkit for download separately from this report at www. CaliforniaClimateDividend.com.

### Oversees the plan and the execution Central Agency

- Overarching Creative, Messaging & Campaign Assets Media Procurement
  - **Coordination Between IOUs**
- Coordination Of Partners, Vendors
- Translation to Spanish Language

#### Oversees operations and shepherds cooperation CPUC

IOUs

Manages central agency (or assigns the task)

needed Translate to local languages Allocates Dividend and Adapts bill, web, CSR, etc. Directs Local Efforts

management, adapt assets and direct local efforts as ESPs, CCAs, DAs Support customer

Tracking & Measurement Agency Assesses performance and impact



## **Delivering the CA Climate Dividend**

When the CPUC determined the objectives for the delivery of the CA Climate Dividend, they outlined seven specific goals:

- Preserve the carbon price signal.
  Prevent economic leakage. (Leakage, as defined by AB 32, is the reduction in
- emissions within the state that is offset by an increase in emissions outside the state.) 3. Distribute revenues equitably, recognizing the public asset nature of the atmospheric
- carbon sink. 4. Reduce adverse impacts on low-income
- households. 5. Correct for market failures that lead to underinvestment in carbon-mitigation activities and technologies.
- Maintain competitive neutrality across loadserving entities.
- Achieve administrative simplicity and understandability.

In addition to the goals above is the realization that the Climate Dividend will, in all likelihood, be the signal that creates initial customer awareness of the environmental efforts of the state and a desire to learn more for many Californians. Therefore, it is important to understand the potential impact of a variety of delivery methods to ensure the selected method will yield the required outcome. The recommended delivery method was determined through a two-step process:

- First, review existing research to understand what has been done for other utilities and/or how it would work via specific methods.
  - Second, conduct primary customer research to understand engagement and perception of options.

A specific set of delivery methods was presented in research with the goal of understanding the advantages, disadvantages, and customer perceptions of each, including the following:

- Credit on electricity bill
- Gift card (Starbucks, Amazon, Visa, Target, etc.)
  - Rebate checks

- Donation to a charity
- Coupons/gift certificates for "green" home products (CFL lightbulbs, cleaning supplies, etc.)
  - Reduction in taxable income

In the end, a combination of the two research platforms was utilized to gather the required data and inform a final plan.

## Information from third-party research

## 1. REDUCTION IN TAXABLE INCOME Without any current examples of energy providers

Without any current examples of energy providers in the U.S. returning proceeds from cap-and-trade programs, focus turned to finding several countries delivering, or planning to deliver, the proceeds to customers. In all of these programs, the goal was to offset price increases from businesses paying higher costs. However, there are not currently any reports associated with benefits or customer perception, likely due to the limited time these programs have been in existence.

Province of British Columbia: Every dollar generated by the revenue-neutral carbon tax is

returned to British Columbians through tax reductions. For the 2011/2012 fiscal year, tax reductions were expected to return \$192 million more to taxpayers than the amount of carbon tax paid.

France: The French government was considering a lump-sum tax credit on income, but the proposal failed to be approved by the government. **Germany:** While the German government has not yet initiated the revenue dividend portion of the European Union Emissions Trading Systems (EU-ETS), there are white papers theorizing that it will take the form of an income tax reduction. Australia: As part of its clean energy future plan, the Australian government will be issuing tax cuts and increases in citizen pensions to offset the expected economic impact.

## **2. BILL CREDITS**

Delivering a refund or rebate from utilities is commonly done via bill credits. There are numerous examples, including several in California. Some of the positive and negative aspects of the customer experience are:



### Advantages:

- Timely payback for any inconvenience experienced
  - Preservation of price signal to customers
- Limited additional environment impact (not printing and sending a separate piece of mail)

### Disadvantages:

 Limited awareness impact due to the attention paid to line items in bills

## **3. REBATE CHECKS**

Rebate checks are also very common among utilities to incent desired behavior or return savings to customers. Customer advantages and disadvantages include:

### Advantages:

- Tangible form of appreciation
- Increased awareness
- Additional touchpoint providing opportunity to explain program

### **Disadvantages:**

- Lack of timeliness
- Reduction in total payouts due to cost of administering and delivering
- Lost checks in mail
- Customers forgetting to deposit checks

## 4. PRE-PAID CARDS

Pre-paid cards are increasing in popularity and are becoming very common in the everyday lives of customers. A few of the documented advantages and disadvantages:

### Advantages:

- Increased consumer willingness to share positive feedback with their peers and social networks
  Additional touchpoints for pushing messages/com-
  - Additional touchpoints for pushing mess munications

### Disadvantages:

- Difficulty in spending the exact amount of the card, creating unspent revenue left on the card
  - Perception as credit card offers when received in the mail (may be ignored)

### Information from primary customer research

During the qualitative focus group discussed in previous sections, customers were asked for their perceptions of the potential delivery methods. As a starting point, participants naturally expected the credit to appear on their bill and reduce the amount due to the energy

provider. When other delivery methods were introduced, they envisioned more government waste in creating the gift cards or checks. They were also concerned that these alternative delivery methods would actually do more harm to the environment (creating plastic or more paper waste), which would be contrary to the goal of the program. Many respondents seemed open to a choice between accepting the credit and donating to a green charity.

This motivation for donating or directing the credit to help combat global warming was also evident in the quantitative study. A few of the open-ended, unaided comments from participants include:

- "If [companies] are using solar energy or any other renewable energy, they should be given an incentive instead of customers being given the incentive."
- "The money could be better spent to eliminate the problem and not to just give people credit. It should be used to eliminate global warming."

# DELIVERY METHOD SCORING PROCESS

Based upon the research gathered, the grid below has been created in an attempt to rank-order the options available. Within the grid, a specific delivery method option has been given a score from 1 (best) to 5 (worst) against each of the criteria identified. For example, bill credit was given a 1 for "Environmental Impact From Delivery" due to its ability to be delivered with no further printing, additional paper, or extra

delivery process. Conversely, rebate checks were given a 5 because of the nature of printing and mailing checks to every customer in California.

	Cost Effective Implementation	Impact to Program Awareness	Environmental Impact From Delivery	Timeliness of Tactic	Assurance of Delivery	Additional Touchpoint for Program Explanation	Final Score
Bill Credit	-	4	-	+	+	ю	11
Reduction of Taxable Income	5	5	2	5	2	5	24
Rebate Checks	co	2	5	4	4	2	20
Pre-Paid Cards	4	t-	4	ო	e	-	16
Donation to Charity	2	3	n	2	Q	4	19

## **Strategic** recommendation

Based upon research performed and input from customers, the bill credit is the clear winner for the recommended delivery method. While the pre-paid card ranked second due to its impact and flexibility, it is not recommended due to its high cost, environmental impact, and redemption barriers. In addition, the bill credit solution aligns with the strategic positioning of cleaner air, while limiting the impact on the environment.

R.11-03-012 UNC/jt2 Appendix 1-112



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All reference sources are available in the appendix.

(End of Appendix 1)

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#### Appendix 2: California Climate Dividend Public Outreach Program Report & Strategic Road Map (Light Report)



Targetbase is a customer engagement agency that uses data and insights to develop and execute customer solutions.

targetbase<sup>®</sup>

7850 North Belt Line Road Irving, TX 75063 972-506-3400 Targetbase.com

In April 2013, Targetbase was awarded the Strategic Road Map to provide guidance for a 2014–2015 (and potentially beyond) education and outreach plan in support of California's cap-and-trade program and the distribution of greenhouse gas (GHG) allowance revenues.

The California Public Utilities Commission (CPUC) in Decision (D.) 12-12-033 requires that education and outreach activities, for 2014 and beyond, seek to expand awareness about the purpose and value of GHG allowance revenue in order to achieve the goal of section 748.5(b) of the California Public Utilities Code of "maximum feasible public awareness of the crediting of greenhouse gas allowance revenues." While the education and outreach plan must strive to meet that broad objective, it should also set an intelligent balance between the costs involved with outreach and the fact that the associated communications budget will be deducted from the revenues to return to customers. *—California's Climate Dividend Public Outreach Program: Request for Proposals* 

This California Climate Dividend Public Outreach Program Report, informed by data collection from quantitative, qualitative, and existing third-party research, addresses the task by delivering a strategic framework, suggested tactics and channels, a high-level creative concept, and a plan for implementation.

Section 1 Overview The guiding principles

#### Executive Summary

#### The goal of this strategic road map is to provide a valid, data-driven plan for informing and educating customers on the California Climate Dividend.

Successful communications requires tapping into customers in a way that captures their attention and resonates with their mind-set and needs. The recommendations provided in this report are the result of a review of available market data, a survey of California electricity customers, and conversations with customers through qualitative research to achieve this task. The end result is an understanding of the conditions for communicating the program and, more important, the needs and core desires of customers.

Through a robust process of discovery and data collection, the challenge of communicating to a broadly distributed and highly diverse population became very evident. The dynamics of a modern, demanding life require customers to divide limited amounts of attention among numerous tasks and topics. They process information quickly to understand what it means to them, their lives, their families, and their communities. To do so, customers consume media and messages from a wide range of sources and a broad set of communication tools. They learn from their friends and share their opinions freely. And they tend to pass judgment quickly on the value of a message for themselves and others. This means any program outreach needs to be very clear, very pointed, able to convey an idea through a range of channels, and easily shared between customers.

It therefore becomes essential to understand the mind-set and needs of customers to craft a message they can understand and relate to in these complicated conditions. A great deal of focus in preparing this Strategic Road Map was getting to customers' core desire, to learn how they will perceive the Climate Dividend and if that perception can be clarified and enhanced by how the dividend is portrayed and presented.

It became evident that the great majority of customers have a deep and fundamental desire for a healthy environment. While it is important to them, it is even more important to their families—to future generations. They show a wish to see that solutions to problems like climate change are in place and have a demonstrated desire to contribute to those solutions, even if it might be in small ways. It became equally clear that the cap-and-trade program posed challenges to customers in terms of comprehension and acceptance. The complex nature of the program, along with the rather abstract connection between the mechanics of the program and how they lower greenhouse gas (GHG) emissions, appear to cause customers concern and confusion. Surveys confirmed that customers are satisfied with less information—and dissatisfied with or even dissuaded by too much. However, the outcome of the cap-and-trade program was highly desirable. Reduced greenhouse gas emissions meant, for customers, cleaner air, a healthier environment, and even a possible solution to climate change.

Given this core desire among customers, and the challenging conditions of the marketplace, it was determined that informing and educating customers on the California Climate Dividend should be done through a positive tone and a solution-oriented focus. Ultimately, customers understood and could relate to lower GHG emissions as "clean air." Because they associate the dividend with clean air, communicating about climate change and reduced GHGs when addressing the Climate Dividend is important. Customers simply want to be informed that

climate change and air quality are being addressed, and not inundated with the details of cap and trade or revenue allocation. And while some information on the specifics of the dividend were helpful, they expressed more desire to learn how they could shrink their own carbon footprint with everything from moderate behavioral changes to large-scale energy solutions.

#### As a result, the recommendation is to equate the CA Climate Dividend with a positive sign of cleaner air.

The Strategic Road Map will show how to deliver effective communications with minimal detail on technical information and instead focus on the overall benefit of cleaner air and climate change mitigation. So, while the focus of the outreach is on the Climate Dividend, the topic and content of communications will bridge to GHGs and climate solutions. The concept and tactics developed show how to create the clearest perception of this program benefit and to encourage further education and engagement. Executing this Strategic Road Map will capture the attention of customers through a clear and compelling message and encourage them to dig deeper on their own through easy-to-access, self-service channels in order to increase their level of knowledge and their ability to lower GHGs. In the end, customers will contribute to the ultimate objective of AB 32 with their collective alignment and support.

#### Assignment and Findings

Specific requests made within the assignment are summarized below. The details and rationale for arriving at these findings, conclusions, and strategic recommendations are contained within the body of this report.

### Request 1: Understand audience perceptions and connections to California's Greenhouse Gas Cap-and-Trade program, climate change, and the residential Climate Dividend in particular.

#### Findings:

- A strong majority of Californians believes it is necessary to immediately take steps to curb global warming.
- The majority supports solutions to climate change, but is concerned about impacts on jobs, businesses, consumer costs, and the economy at large.
- Californians are largely unaware of the cap-and-trade program. Providing them a basic description of cap and trade leads to a mostly favorable view. However, when presented with more details, their perception turns negative.
- When asked for their reaction to seeing a "Climate Dividend" credit on their energy bill, the majority either had something positive to say about the Climate Dividend or would like to know more about it (both before and after a description of the program).

#### Request 2: Set achievable objectives for outreach and education activities in 2014 and 2015.

#### Findings:

- When informing Californians on the purpose and value of the Climate Dividend, the most useful objective is to raise awareness and educate them on reduced GHGs, improved air quality, and solutions to climate change, in addition to providing details on the bill credit.
- Attempting to educate customers on the policies, mechanics, or logistics of the cap-and-trade program was proven to be an ineffective objective.
- Other identified objectives include: be cost-efficient with outreach efforts, execute the program in a competitively neutral way, increase awareness of the costs of GHGs among customers, and enable customers to learn more about revenue allocation.

#### Request 3: Define strategies geared to those objectives. Findings:

- Research and consideration for the objectives of AB 32 have led to a strategic approach that leads with the benefit and delivers additional detail throughout the campaign:
  - Position the Climate Dividend as a positive sign of cleaner air.
  - $\circ$   $\;$  Inform and educate that climate change is being addressed.
  - Keep details to a minimum and highlight the overall benefit.
  - Enable customer exploration of deeper information.
  - Encourage participation in customer GHG reduction.

#### Request 4: Articulate main and secondary messages to achieve overall outreach and education objectives.

Findings:

- Start with and build on the ultimate benefit of cleaner air to connect quickly and easily to customers.
- Share information on the credit, such as how much, how often, and who gets it.
- Tell customers about GHG-reduction solutions.
- Share details on the dividend over the life of the campaign—its logistical elements, its source in cap and trade, and its connection to GHG reduction among industries and businesses.

#### Request 5: Assure cross-cultural relevance and impact.

Findings:

 A thorough review of the population of California shows that using the right mix of channels, partnering with community-based organizations, and creating non-English communications will sufficiently reach Californians in culturally relevant ways.

#### Request 6: Recommend advertising and public relations tactics (link to other statewide marketing, education, and outreach [ME&O] programs). Findings:

- The recommended tactics are designed to gain maximum broad-based awareness in a fairly short time and, over the life of the campaign, encourage more response and interaction.
- Tactical recommendations include:
  - Widely deployed and easily recognizable iconic representation of the Climate Dividend
  - $\circ$   $\;$  Response mechanisms embedded into advertising communications  $\;$
  - Shareable assets to encourage word of mouth
  - A centralized website to provide in-depth information and encourage/enable customer GHG reductions
- Communication channels include:
  - Broadcast media, outdoor channels, online advertising, and search engine optimization to impact a cross-section of the general public
  - Communications on and in electricity bills, which are capable of reaching all customers but are expected to raise awareness roughly 25%
  - Additional outreach through localized channels and community-based organizations and in multiple languages, to extend reach to ethnically diverse and hard-to-reach customers
     Social media and PR efforts to generate valuable earned media
- Messaging will take a top-down approach, showcasing the Climate Dividend as a sign of a viable climate solution that results in lower GHGs, which for customers means clean air.
  - $\circ$   $\,$  Message timing will coincide with the credit to elevate customer awareness at the most  $\,$

appropriate times.

• Messages evolve over time to shift from general awareness of the Climate Dividend to a more action-oriented approach.

#### Request 7: Establish budget options and allocations to implement proposed strategies.

#### Findings:

- Budget levels are provided based on achieving a peak level of awareness during dividend delivery periods.
- Budgets show a breakout by channel/tactic to provide a way to scale resources appropriately.
- Budget levels are set in consideration of a balance between maximum feasible awareness and total cost.
  - A "cost per customer" perspective shows the relative level of spend against the whole state to illustrate impact vs. spend.

#### Request 8: Establish metrics and the best way to evaluate results. Findings:

- The primary metric has been defined as aided awareness during campaign periods.
- Generalized estimates for achievable levels of awareness are provided based on a given level of marketing spend through the recommended channels.
  - $\circ$   $\;$  Results as high as 58% aided awareness during campaign periods are possible.
- Set benchmarks initially and optimize campaign over time to improve results.
  Include campaign objectives such as impressions, click-throughs, website visits, etc.
- Conduct tracking study coinciding with the dividend distribution.
- Key metrics for the tracking study include:
  - Unaided awareness
  - Aided awareness
  - Reaction (sentiment)
  - Sought more information
  - Where information was sought
  - Reaction to the additional information source
  - Intent to seek more information
- Use a holistic view of all results to drive most effective spend.

#### Request 9: Define the right program architecture and organization to achieve the metrics.

#### Findings:

- Run the statewide campaign, including development of creative assets and management of broad outreach media, through a central agency.
  - Messaging needs to be consistent and cohesive across the state.
  - Media purchases need to be conducted at a statewide level to procure the best buy and coordinate reach and timing.
- The energy companies will manage bill communications and customer conversations through their typical customer-interaction channels using materials and guidance from and in coordination with the central administrator.
- The energy companies will also manage localized and community-based outreach, as they are best equipped to adapt the standard materials to regional needs, including language translation and other cultural enhancements.

#### Request 10: Evaluate various off-bill methods of returning the residential Climate Dividend to households.

- Findings:
- A set of delivery methods was researched to understand the pros and cons of each, including impact on perception and cost/requirements to execute.
- Based upon research and customer input, the energy-bill credit remains the recommended delivery method.
  - Effective delivery, environmental sensitivity, and the ability to execute efficiently were all key drivers, even if customer impact might be less significant.

#### Background

In 2006, California passed landmark legislation to reduce GHG emissions in the state. The Global Warming Solutions Act of 2006, also called Assembly Bill 32 or AB 32, set standards to reduce GHG levels for California to those of 1990 by the year 2020. This bill was challenged in 2010 by Proposition 23, which would have suspended AB 32. With almost 62% of Californians voting no to this freeze of AB 32, the desire of California's public to create a solution for reducing greenhouse gases, decreasing air pollution, and protecting the environment became clear. In order to achieve this goal, the agency responsible for implementing AB 32—the California Air Resources Board (ARB)—developed a series of key initiatives, including energy-efficiency programs, transportation solutions, and forestry sequestration. Many of these are already in place and currently impacting customers and businesses in the state.

The problem AB 32 is meant to address appears to be growing in importance. In early May of 2013, worldwide carbon dioxide reached 400 parts per million at a Hawaii station that sets the global benchmark. This is a concentration not seen on the planet in millions of years. California alone is responsible for more carbon dioxide pollution than all but 20 of the world's countries.<sup>1</sup>

Perhaps the most complex of ARB's initiatives aimed at reducing GHG emissions is its cap-andtrade program. California's cap and trade, designed to work in tandem with existing policies, creates an economywide cap on major sources of GHG emissions. Entities that operate under the set cap are issued a limited number of tradable permits (allowances). A market is created for these GHG allowances, which in turn encourages industries to make efficient decisions to reduce their emissions.

As the currency of the cap and trade, allowances are distributed by ARB and traded among energy providers and capped entities. Any revenues that the utilities receive through the capand-trade program will ultimately be returned to rate-paying customers. According to CPUC Decision 12-12-033, ARB granted "a direct allocation of allowances for the purpose of protecting electricity customers and advancing AB 32 objectives" to electric distribution utilities, including investor-owned utilities (IOUs).

Included in the decision is the mandate for customer education "to maximize feasible public awareness of the distribution of GHG allowance revenues to ratepayers." IOUs will conduct a modest and targeted interim round of outreach in 2013. This effort will focus on informing customers that the California Climate Dividend that appears as a credit on their bill is the allocation of revenues from the cap-and-trade program. In addition, Decision 12-12-033 states that for 2014 and beyond, the public education component should be expanded to include awareness about the purpose and value of the GHG allowance revenue.

The idea of expanding on customer awareness in a robust and comprehensive manner provides the opportunity to review what is truly intended by AB 32, in terms of customer perception and

participation. After all, this is a statewide initiative—affecting and benefiting all Californians that can be greatly enhanced through the public sector. This California Climate Dividend Public Outreach Program Report will serve as the guidebook for these education efforts. A variety of data and information has been used to establish a strategic road map for customer outreach. It details guidelines for execution, descriptions of targets, creative concepts, and information on channels, tactics, timing, and metrics for an efficient and effective implementation. The scope and scale of this road map reflects its mission to help the state of California fulfill the noble and aggressive goals of AB 32.

#### **Program Objective**

The primary objective for the customer education component of AB 32 is to inform and educate customers on the CA Climate Dividend. Section 748.5(b) of the California Public Utilities Code asks for the adoption and implementation of a customer outreach plan for "maximum feasible public awareness" of the dividend. As discussion among involved parties hinged on what would make a program feasible, CPUC Decision 12-12-033 has allowed customer education to be "expanded in 2014 and beyond." Expanding these outreach efforts—in effect, maximizing public awareness—should include informing Californians on the purpose and value of the Climate Dividend. Throughout the process of data discovery and customer knowledge collection, there has been a consistent focus on how to best interpret and act on these objectives for the program overall.

What customers are informed about is certainly as vital—if not more vital—than how they are informed. A look at the bigger picture related to the Climate Dividend shows how this might be addressed successfully by informing and educating on:



One important consideration in the development of this road map has been how to make the very most of this opportunity to communicate with energy customers. Likewise, it has been a key objective to do so in a way that leads toward positive outcomes and minimizes time-consuming, expensive ones. Looking at the data and evidence available through a variety of market channels and in direct conversation with customers has led to one conclusion: The best, most useful objective is to educate customers on the ultimate focus of AB 32—reduced GHGs, improved air quality, and solutions to climate change.

Customers have shown that attempts to educate them on the details of a cap-and-trade program, how it works, or how revenues are generated by it, create confusion and even concern. Their core desire, which appears to be a solution to the GHG problem, is not addressed by this approach. In fact, such in-depth information appears to actually detract from the overall potential success of the program. When given too much explanation, customers indicate they would investigate the policy and the politics behind it, with a tendency toward suspicion and even protest.

Successfully informing and educating the customer implies they will have a level of awareness of the Climate Dividend and what it represents, as well as a level of knowledge about the goal of GHG reduction. The strategic road map within this report will share a data-driven approach for customer awareness and engagement suitable for the overall program objective.

#### Additional Objectives

In addition to educating customers on the larger solution to GHG emissions and showing how the Climate Dividend is connected to it, there are additional objectives and direction within Decision 12-12-033 that have informed this strategic recommendation. These include:

**Maintain the price signal** While this is an essential element of cap and trade, and needs to reflect the costs of GHG inherent in many products and activities, it is a difficult objective to deliver on when customer costs are being offset by the dividend. This strategic road map will attempt to maintain the spirit of a price signal while not alarming customers about rising prices. Through the process of raising customer awareness, the solution will explore how the dividend can serve this purpose while mitigating potential public concern.

**Maximize both awareness and return of revenues** The efforts required to educate customers should be balanced against their costs—for the more the ME&O effort costs, the less remains for the customer dividend. The strategic road map will seek to leverage public interest in the Climate Dividend in an optimal way to drive self-directed education on its purpose and meaning, thus lowering the need for (and costs of using) other media channels to perform this function.

**Prepare for price increases** Customers are receiving the dividend as a method for offsetting the costs that are expected to rise as the result of AB 32. While this could be directly addressed in outreach communications, research shows that this does little to lend confidence or create a perception of fair compensation. Instead, implying the offset through the language of "incentive" or "clean air credit" gives customers a greater willingness to embrace the dividend, use it to help in the overall solution, and, in general, show a higher level of support for the program overall. The outcomes include not only using the money but also using it in a GHG-conscious manner.

**Reveal the appropriate allocation of revenues** Customers are receiving a financial benefit from the cap-and-trade program. While this general idea will be part of how the dividend is positioned and presented, it will also be addressed more specifically within certain customer-communication venues. As a general rule, customers should know that the dividend is delivered in equal amounts to all electricity customers twice a year. However, within certain channels (such as a website), the detail on revenue allocation will be more fully outlined and explained.

**Execute program in a competitively neutral way** A large number of electricity providers operate throughout California, representing a range of services, styles, and customer relationships. It is important to ensure that the strategic road map is developed in such a way as to communicate with customers regardless of the electricity provider they work with, and in a way that doesn't promote one form of provider over another. The solution will address this issue by focusing on the customer first, outside of the context of their provider, and apply

proven techniques for communications in a broad outreach perspective rather than an "energy company centric" way.

#### Looking Ahead

The California Climate Dividend Public Outreach Program Report lays out the process used from initial ask through the development (and eventual rollout) of a viable, optimal communication platform. Included are insights into the market and customer conditions in California. With that information, an overarching strategic plan, customer target groups, creative concepts, a plan for implementation (including recommended tactics and channels), and measurement guidelines were built—to give the IOUs, ESPs, CCAs, and DAs of California the tools required to fulfill the mandate set out by CPUC Decision 12-12-033 and, ultimately, the goals of AB 32.

#### Section 2 Market and Customer Conditions Setting the stage

"No other state in the nation has the wealth, resources, entrepreneurial spirit, and innovative history that enable California to maintain its distinctive appeal to the rest of the nation. As time passes, and more come to share in that success, the Golden State's appeal can only be expected to grow." —*First Tuesday Journal* 

#### Situation Analysis

Before setting out to achieve the goal of maximizing public awareness of the distribution of GHG allowance revenues, it's important to understand the conditions that the efforts will have to accommodate. For successful outreach and education, keep in mind the challenges that the vastness and diversity of the state bring. However, of all the states in the country, California is best suited and poised to address this problem with intelligence.

#### The State of California

Alaska leads the nation in area. Texas is known for its varied topography and New York for its cultural and linguistic diversity. Yet no other state possesses all of these—plus an 840-mile coastline—as the Golden State does.

California is the nation's third-largest state in land area with approximately 160,000 square miles. It is a state whose diverse topography includes mountains, fertile valleys, deserts, volcanoes, and coastal areas. And it is home to both the highest (Mount Whitney) and lowest (Death Valley) points in the 48 contiguous states. The mere size of the state can make it difficult to communicate well with all its residents. Added to that is the geographic diversity that can serve to isolate certain groups, making it necessary to reach out to the people of California in a variety of means.

California currently boasts the largest economy in U.S. and the ninth-largest in the world. Even though it was one of the states hardest hit by the 2007–2009 recession, it is on a slow economic upturn.<sup>1</sup> In fact, by 2014, all counties in the state will be participating once again in economic expansion.<sup>2</sup>

According to the February 2013 forecast by the Business Forecasting Center at the University of the Pacific, job growth in California will remain steady over the next several years at 2%.<sup>3</sup> The unemployment rate fell 1.5% in the last year<sup>4</sup> and is predicted to average 9.7% in 2013 and 8.4% in 2014<sup>5</sup>. With a 2012 private-sector payroll increase of 2.6%<sup>4</sup> and an accelerating housing recovery,<sup>2</sup> the economic outlook for California in the coming few years is positive. In light of this economic upswing, Californians are busier than ever, distracted by day-to-day obligations and facing an increasingly cluttered media market.

**What it means:** There are built-in challenges to any communications effort in California. The vast size and geographic diversity require using a variety of channels to reach the entire population, and the hectic pace of life in the state (including the media market) forces messages to be succinct and memorable to achieve breakthrough.

#### The People of California

#### Who are they?

More than 38 million people currently live in the state of California. The diversity of California is reflected in their varying income levels, their political affiliations (as of May 2012, 3.7 million declared Independents, 5.2 million Republicans, 7.4 million Democrats<sup>6</sup>), their interests, and their professions. The state boasts innovators, farmers, entertainers, and working families. Californians own and run businesses, labor in the farmlands and wineries, participate in politics and policymaking, and more.

As the nation's most populous state—home to one out of eight Americans—it has also historically been one of the most culturally and ethnically diverse. Made up of large groups of immigrants from over 60 nations, the state population is expected to continue to diversify over the next 20 years.<sup>7</sup>

#### Ethnic composition

Currently, non-Hispanic whites make up less than 40% of the California population.<sup>8</sup> By early 2014, the California Department of Finance projects Latinos will replace whites as the largest ethnic group for the first time since California became a state.<sup>9</sup> California is one of only five states in the U.S. with a minority majority—ethnic minorities constitute more than half of the state.<sup>8</sup>



Source: United States Census Bureau, "State & County QuickFacts: California," [website] <http://quickfacts.census.gov/qfd/states/06000.html>, accessed June 13, 2013.

This diversity brings with it linguistic and cultural considerations. In communicating with and educating the people of California, it's important to keep in mind that even though 61% of California adults speak only English at home, 39% speak another language. The largest group of those speaks Spanish (either in addition to English or exclusively), followed by Vietnamese.<sup>10</sup>

Much of these non-native English speakers are considered hard to reach—isolated from much of the state linguistically, culturally, and/or geographically. Twenty-nine linguistic or cultural groups comprise the hard-to-reach population in California, including Native Americans and indigenous immigrants from Mexico. In fact, in 2007, 334,609 families in California were linguistically isolated, speaking one of the top 27 languages in the state.<sup>11</sup> The state's large Native American population mostly speaks English, but is isolated because of culture and geography.<sup>12</sup> An additional special challenge found in these hard-to-reach populations is the cultural diversity present even between groups of speakers of the same language.<sup>13</sup>

**Information seeking** As the people of California are diverse and varied, with increasingly complex lifestyles, so are their communication choices. Californians, including the linguistically isolated, seek information in newspapers and on television at a lower rate than the rest of the U.S. population.<sup>14</sup> This is, perhaps, due to an increased reliance on social media, mobile, and digital channels. That being said, it is important when planning the channels of communication to keep in mind that only 52% of Latinos in California report having a computer at home, compared with 75% of African-Americans, 87% of Caucasians, and 89% of Asian-Americans.<sup>15</sup> However, Latino community is reachable via mobile channels, as they own smartphones and go online from mobile devices at a rates similar to or just higher than all other groups.



#### Growing, flourishing—and aging

California has also long been known for and defined by population growth. The Public Policy Institute of California predicts the state's population will continue to rise during the next 20 years (with a projected 5 million people added each decade) at 1% annually, a rate similar to that of the 1990s and 2000s.<sup>16</sup> While this increase in population will pose challenges to water management, energy, and housing in the state, it will also offer a source of new talent and opportunity.<sup>17</sup>

Inland areas will see higher growth rates than other parts of California, although the coastal counties will still be home to most of the state's population. Growth in rural areas will be limited, with areas surrounding metropolitan centers seeing rapid growth. This increase in centralized urban populations will be reflected by a boom in rental property and condominium sales.<sup>17</sup> SoCal is expected to have the largest growth over the next 50 years, with Riverside County leading the way.<sup>18</sup>

With the increase in population comes an overall aging of the state. The California Department of Finance predicts that the state's median age will increase from 35.2 in 2010 to 41.9 by 2060.<sup>18</sup> The total number of adults age 65 and over is projected to grow from 4.2 million in 2010 to more than 7 million in 2025.<sup>19</sup> Adults in their late 20s and early 30s will be the second-fastest growing group. As the state ages, the increase in the elderly population will add stress on Medi-Cal.<sup>20</sup>

Orange County, more exclusive and less appealing to young career-seekers, is aging faster than other counties. The counties of NorCal, by contrast, have aged hardly at all, yet remain older on average. This is likely due to NorCal's high housing prices, specialized workforce, and lower rates of immigration.<sup>21</sup> Even so, the California Department of Finance projects that California will remain one of the younger states in the U.S. over the next 20 years due to its diversity—with higher birth rates among ethnically diverse groups—and its role as a primary gateway state for immigration.<sup>22</sup>

As the population grows and ages, strain will be added to the state's infrastructure, with more vehicles on California roads and higher utility usage. The continued boom makes the task of reducing GHGs—and enlisting the help of the people of California—even more crucial and more challenging.

**What it means:** The residents of California are a truly diverse and large population completely spanning the spectrum of political parties, ethnicities, languages, and ages. A multifaceted approach is needed to communicate with them all. Effectively communicating with the entire population requires cross-cutting, multichannel communications, in English and non-English languages (with Spanish being the most predominant alternative), both mainstream and ethnically centric media, collaboration with community-based organizations, grassroots outreach, and culturally appropriate materials.<sup>23</sup> Understanding the needs and behaviors of like targets will make communicate—with special attention paid to both the language and the channel of the communications—will be key to reaching them as well. Of course, consideration should be given to what is pragmatic in such an effort, as the costs of truly reaching everyone would be prohibitive.

#### **Californians and Climate Change**

"I think we're going to wait on doing something until it's too late. This is serious." —Rose Wallace, Sacramento business owner

#### Viewpoints and beliefs

Perhaps due to the vast geography of the state, and its varied and abundant natural resources, Californians have long been associated with environmental consciousness. Today, a strong majority (78%) of them believe that the world's temperature has probably gone up in the last 100 years.<sup>24</sup> Most (60%) also say that they feel the effects of global warming have already begun, and 73% think it's necessary to take steps to counter the effects of global warming right away.<sup>25</sup>

However, in a state that has recently faced a housing crisis, lingering state debt, and severe unemployment rates, only 1% of Californians polled cite global warming as the most important problem facing the state today. The majority supports doing something about climate change but is unwilling to do so at the expense of jobs, business competitiveness, higher consumer costs, and the economy at large.<sup>26</sup> This contrast is an important consideration for the mission of educating Californians on the state's plans for curbing climate change, as the priority appears to be everyday economic concerns before climate solutions. This does not mean that climate



solutions are not important, only that they need to be balanced against the extent to which they impact Californians' lives.



#### Ways Californians Believe the Government Can Address Global Warming

Source: Mark Baldassare et al., "PPIC Statewide Survey: Californians and the Environment," July 2012.

#### Years of living green

California utilities offer a wide variety of products, programs, and services across the state for both business and residential customers. In fact, California has led the nation in energyefficiency programs since the 1970s. Since then, per capita energy use has remained flat in the state, while that in the rest of the U.S. has increased by about 33%.<sup>27</sup> Customers have been exposed to a number of outreach and education programs—it is part of the reality of life in California. This has helped involve customers more deeply into an area of their lives—energy that traditionally receives little attention. The connections between energy, money, and the environment have become clearer. And, in turn, there seems to be a willingness among Californians to adopt these energy solutions and put effort toward them.

#### Some notable California energy programs

**Energy Upgrade California:** Designed to help customers with home-improvement projects that lower energy use, conserve water and natural resources, and make homes healthier and more comfortable, this program assists customers with planning their upgrades, locating participating contractors, and finding rebates and incentives.

**Demand Response Programs:** Demand response is a rate-based program that encourages customers to reduce their electricity usage in a given time period or shift that usage to another time period. Demand response saves customers money and helps manage energy production by lowering peak-time energy usage.

**California Alternate Rates for Energy (CARE):** Low-income customers enrolled in the CARE program receive a 20% discount on their electric and natural-gas bills. Eligible customers are those whose total household income is at or below set levels as outlined by the PUC.

**Energy Savings Assistance Program (ESAP):** No-cost weatherization services are provided to low-income households, including attic insulation, energy-efficient refrigerators, energy-efficient furnaces, weather stripping, caulking, low-flow showerheads, water heater blankets, and door and building envelope repairs.

**Self-Generation Incentive Program (SGIP):** The PUC provides incentives to support existing, new, and emerging distributed energy resources with rebates for qualifying energy systems installed on the customer's side of the utility meter. Qualifying technologies include wind turbines, waste heat-to-power technologies, pressure-reduction turbines, internal-combustion engines, micro turbines, gas turbines, fuel cells, and advanced energy-storage systems.

#### Understanding AB 32

In the 6+ years since the passage of AB 32, Californians have been inundated with conflicting messages on its purpose, its goals, and its ultimate cost from press coverage, blogs, and word of mouth. There has not been a public education campaign on the bill—a vast and complex piece of legislation with many subcomponents—as a whole. In its absence, the mixed messages Californians have received about AB 32 have led to confusion and mistrust. Yet, while support for the bill declined steadily (by double digits over 3 years<sup>28</sup>) in the first few years after it was passed, the trend has turned upward over recent years. As of early 2012, 70% of California residents support AB 32.<sup>29</sup>

However, by mid-2012, even with the vast amount of media coverage received by AB 32, a majority of California voters (55%) had not heard of the cap-and-trade element of the bill.<sup>30</sup> To further complicate communication matters, more information on the subject tends to turn a voter's opinion of cap and trade from positive to negative. When provided with a basic description of cap and trade, 56% of Californians polled favor it, while 39% do not. As more detailed information is provided, their opposition of cap and trade increases from 39% to 55%. Add in details about the cap-and-trade auction and Wall Street's involvement and the support is eroded further, with a large majority (86%) less likely to support cap and trade.<sup>31</sup>

In the glut of media coverage and information about climate change, global warming, AB 32, cap and trade, and the cap-and-trade auction, the one aspect that will most directly affect California customers—the Climate Dividend—is lost. In fact, so little is known and understood about it that pollsters rarely ask about it. However, in our May 2013 poll of over 1,000 Californians, 57% support the Climate Dividend aspect of cap and trade. And, of the 23% who oppose it, many indicated their stance is due to a lack of information on the topic.<sup>32</sup>

Conflicting messages and a flood of information have only served to confuse Californians and create suspicion and pessimism among them. As the implementation of AB 32 nears, the "noise" surrounding it has decreased—and, as a result, feelings toward it have grown more positive. It will be key to find the sweet spot, the right combination of how much and what kind of information to share with the public, in addition to determining how to share those messages. Just enough of the right information can serve to inform, educate, and, perhaps, motivate Californians. Too much could tip the scales to confusion and mistrust.

**What it means:** Californians have long been environmentally conscious early adopters of green policies and programs. They have also historically faced paying for that innovation in higher energy costs and other pass-through charges. Current sentiment reflects this desire to do something about climate change along with an unwillingness to do it at the expense of the economy. Balancing the message between the greatest benefit for the environment and the minimal cost for Californians, with just the right amount of information, will help ensure positive reception.

#### Customer Information Study and Key Takeaways

With a topic as broad as this is—including greenhouse gases, AB 32, cap and trade, and more it's just as vital to get a closer look at specific customers' feelings, beliefs, and concerns as it is to examine any overarching marketing conditions.

#### Quantitative research

To develop a detailed picture of the audience, quantitative research was conducted in May of 2013. Questions ranged from broad environmental issues down to customer sentiment about the specifics of AB 32. This Climate Dividend Quantitative Research was a random sample of 1,200 energy customers from across the state of California. They were interviewed by phone (combination of land lines and cell phones) May 2–8. While the research findings are included in their entirety in the appendix of this document, some notable findings—and what they mean for the message—follow.

#### **BASELINE DATA**

#### **1. The Environment**

- 78% had heard of greenhouse gases (GHGs)
- 69% said there is a link between global warming and energy usage
- 67% acknowledged that some action is required to help stop global warming
- 56% stated they are willing to pay more if it means stopping global warming

**What it means:** There is an existing baseline familiarity with the concept or language of GHGs. Over two-thirds of survey respondents have made the connection that global warming is connected to energy use. That same number also acknowledges that some action is required to help stop global warming. This suggests a significant receptive audience when packaging the CA Climate Dividend program as, in part, a "solution" toward stopping global warming.

#### 2. The CA Climate Dividend

When asked what their reaction would be upon seeing a credit on their energy bill labeled "Climate Dividend" (prior to receiving a description of the program):

- 56% either had something positive to say about the Climate Dividend or would like to know more about it
- Only 15% had a negative and/or skeptical reaction
- Most of the respondents (84%) who wanted more information about the Climate Dividend would look for it online

After a brief description of the CA Climate Dividend, the reactions to the program remained virtually the same.

**What it means:** At the minimum, a moderately detailed explanation of the CA Climate Dividend will need to be standardized and made available on each energy provider company's website, as well as that of the Public Utility Commission. Because the sentiment after receiving the "just the facts" description of the program remains fairly consistent with opinions prior to receiving it (even among those who are undecided), a different type of description is needed to change customers' perception. Making the CA Climate Dividend more relevant to the consumer via the value proposition, connecting the program description back to the overarching goal of addressing global warming, or answering simply for "so what" are possible solutions.

#### 3. The Energy Bill

- 25% stated that they read all their energy bill
- 25% stated that they read some of it
- Another 21% stated that they at least glance at it

 Those who favor the Climate Dividend are slightly more likely to read their energy bills (53% vs. 45%)

**What it means:** A message delivered with the bill has a good potential of reaching 25% of the target audience.

#### 4. The Money Matters

- 61% said they expect to have to pay more for energy because of this program
- 39% said the Climate Dividend will benefit them financially

**What it means:** Focus should be given to the actual amount of the Climate Dividend, as well as its frequency of delivery. It will be especially helpful if the value proposition ties to the delivery of the actual credit.

#### 5. The Motivating Factor

• 68% said the Climate Dividend will encourage them to save energy

**What it means:** Even without explanation as to how the CA Climate Dividend will help reduce carbon emissions, more than two-third of consumers are making the connection to their own reduction in energy consumption. This suggests that delivering that connection directly in the messaging will help pull that number up even higher. Plus, there may be a secondary opportunity to encourage and educate consumers about ways to reduce energy use.

#### **OPINIONS**

#### 1. Support

Top Reasons for Supporting the CA Climate Dividend Program: Responses to Open-Ended Questions

- The money from the credit is good/will help me: "It is always good to have some type of credit."
- It's good for the environment (air quality, GHGs, global warming): "It sounds like it would be beneficial to the environment."
- I want businesses to reduce their energy usage: "It would force the business to initiate better usage of the energy."

**What it means:** Those in favor of the plan support climate solutions and seem receptive to the idea of both contributing and being acknowledged for their involvement. Make them feel like their contributions (alongside those of the industries reducing their emissions) will make a difference and, where possible, show them what that difference could look like in the long term.

#### 2. Oppose

Top Reasons for Opposing the CA Climate Dividend Program: Responses to Open-Ended Questions

- It's not a real solution or won't solve the problem: "It is like they are buying credits, and they increase pollution instead of reducing it."
- Customers would end up paying more in the long run: "They will just pass the burden to consumers."
- It's not the government's place or I don't trust the government: "It is more government control."

**What it means:** These issues may be addressed and diffused by providing access details of the program (via website links or additional reference sources) and describing why the program will work in a direct and transparent way.

The breadth of findings from this quantitative research was used to inform the stimuli brought forth into the next round of discovery via qualitative research.



#### **Qualitative research**

Qualitative research was conducted to inform the development of the communications approach and specific messaging around the Climate Dividend to residential customers. Three sessions of two focus groups each were conducted in May 2013 in San Diego, Riverside, and Sunnyvale. These locations were selected to capture a cross-section of the state's population, including rural and urban dwellers, high and low income, multiple ethnicities, and both IOU and CCA/DA/ESP customers.

In these sessions, a variety of stimuli, including both concept statements and visual direction, was used to:

- Understand current awareness (if any) and perceptions of the program.
- Explore comprehension and perceived relevance of the program (based on a written description).

- Identify perceived benefits of the program, anticipated actions taken as a result, etc.
- Explore receptivity, relevance, and comprehension of a number of conceptual messages for the program.

A complete summary is included in the appendix of this document. However, some key findings captured within the qualitative research that helped further shape the final strategic framework are noted here:

#### Awareness and perception of the program

None of the participants within this study had any prior awareness of the CA Climate Dividend. In absence of further explanation, most participants automatically concluded that the program was some sort of "energy reduction" program involving an incentive for customers to reduce their own consumption.

"I assume you get some sort of rebate for conserving energy."

"Probably it is something that you get when you do certain things to reduce your energy use."

"I wonder if this might be some extra credit from PG&E because we used less."

**What it means:** Even without explanation, consumers are prepared to make the connection with a reward for reducing energy consumption. While not the true intent of the program, this does suggests that there may be an opportunity for delivering energy-saving tips and programs through these communications.

The majority of customers **agreed** with reducing GHG emissions and **reacted favorably** when this was referenced as context for the dividend.

#### **Comprehension and perceived relevance**

A series of simple, one-line statements were presented to participants, introducing the Climate Dividend. The statements were met with a mix of interest, apathy, skepticism, and a desire for additional information.

"I'd want to know why I was getting this."

"Sounds good to me. Credit my bill, baby."

``I'm not sure I would go there, but it would make sense to have a link to a website where people who wanted to get the details could go."

**What it means:** While customers are generally pleased with receiving a credit, it is helpful to provide access to further details on the credit and explanation on the objectives and long-term impacts of the program. A simple "reason why" often seemed to be enough to satisfy customers.

Consumers want **assurances** about the source and impact of the credit (revenue generated from the program is paid out to customers, not funded from state budget, not a refund of overcharges, can help offset any economic impact of the program on prices or rates), but **do not need** *or even want* **a lot of detail** on cap-and-trade or revenue allocation.

When providing greater detail, care will need to be taken to strike the right balance of information.

#### A candid description

Despite wanting more information, customers ultimately still need the explanation to be simple, straightforward and non-technical. Reactions to a detailed description of how the cap-and-trade

program is being conducted and how it generates funds that go back to the public were met with concern.

"This sounds like it was written by a lawyer or someone who is used to using tariff language."

"Can't they just make it simple?"

"This sounds like AIG or Enron. It's the kind of thing that can easily be manipulated." "I don't believe cap and trade works. It's just going to drive industry out of California."

**What it means:** There is an underlying skepticism or concern that cap and trade may be an opening for increased bureaucracy and that it may drive some businesses to leave California. A basic description of the program, devoid of technical or political language, will lend itself to the perception of transparency among residents. Plus, providing a vehicle to give consumers a voice may help to mobilize advocacy and offer a platform for diffusing skepticism by calling attention to successes and milestones.

#### When describing the Climate Dividend, it will be important to follow these guideposts:

#### SAY

Explain "dividend" using basic benefits

- Helps clean the air
- Helps the environment
- Slows down climate change
- Improves air quality
- Makes for a cleaner California

Lead with credit: mention first, explain how much and

when they'll receive it

- Equality: all households receive credit + same amount
- Twice-yearly credit (amount, how often)

#### DON'T SAY

- Cap and trade: descriptions bring up questions and suspicions
- Tighter cap on industries: sounds like it might be hard on business
- Limits on the amount of GHGs: confusing, just say "reduced"
- Businesses trading credits: brought to mind corruption and administrative costs
## The role of visuals

Most agreed that there could be a role for visual communications around the program, particularly in initial announcements, ads, and/or explanations of the credit before it appears on the bill. Reactions to the stimuli presented provided the creative development team with clear direction and a strong leaning toward two of the concepts.

Qualitative research participants, in their own articulations, said that desired messaging about the Climate Dividend would:

- Clearly showcase the ultimate benefit of cleaner air.
- Give a brief statement of the purpose *and* the context.
- Provide some detail of the actual credit (amount, timing, recipients).
- Assure customers about the source and the impact of the credit.

The collective findings from both sets of research—quantitative and qualitative—plus an indepth look at the state and its people were the basis for the recommendations contained in this report. They informed the tactics, strategic framework, implications, and final creative platform. Together they shaped how, when, and where to optimally speak to Californians about the state's Climate Dividend program.

## Section 3 Strategic Framework Focus on the ultimate benefit

## Master Strategy

# Gain attention and connect with customers by showcasing the ultimate benefit that the California Climate Dividend represents: clean air.

The overarching objective for AB 32 is to reduce GHG levels by a significant amount. While the mechanics of this effort, to a great deal, center around large industry and massively scaled solutions, public participation provides many benefits toward achieving this goal. A strategy that generates a positive reception in customers has many benefits:

- An open and willing public provides support for industries while they undergo transition toward smarter solutions.
- They reward this innovation through their purchase decisions.
- They help shape, accommodate, and align with policies and policymakers as they enact meaningful changes.
- They contribute to overall GHG reduction through their decisions and behaviors.

Therefore, the best strategy for educating the public on the allocation of a Climate Dividend will be one that positions the value proposition of the Climate Dividend addressing customers' core desire. Customer insight and data shows that this can be done by highlighting the ultimate impact on the environment the cap-and-trade program provides—GHG reduction. Connecting the Climate Dividend to clean air drives both a positive perception and positive behavior.

## **Customer Sentiment**

The strategy for this effort was arrived at after reviewing the body of evidence available through broad-based queries, a quantitative study, and direct conversations with customers. Press coverage of the topic has revealed a level of concern and uncertainty about the cap-and-trade program. While there is positive support for it, it is often outweighed by less-than-favorable stories, as illustrated by the *Redding (CA) Record Spotlight:*<sup>1</sup>

In the rosy [possible future] . . . technological innovation and savvy policies to promote renewable energy succeed in proving California can have it all—a strong economy that nonetheless reduces the carbon emissions that, over time, threaten to dramatically warm our friendly planet. The naysayers will be proven wrong, and where California has led once again the world will follow.

Or, in the pessimist's scenario, inevitably higher prices for energy—unavoidable under cap and trade—and the related bureaucratic burdens on business expansion further hobble the state's already limping economy. The economy shrinks. Families leave. The state might reach its goal of returning to 1990s-level carbon dioxide emissions by 2020, but only through a wholesale reversal of growth. . . . "Even if California shut down every power plant and took every car off the road, global emissions are growing so fast that they'll rapidly make up the difference."

As customer research was carried out through surveys and conversations, customers showed a tendency to trend toward pessimism and doubt. The topic of cap and trade, especially the details around auctions, regulations, and revenue allocation, appeared to produce a somewhat negative effect. It caused customers to question just about everything related to the program.

Its intent, effectiveness, management, economic impact, wisdom, and more appeared to concern and sometimes frustrate customers.

This is not a condemnation of the program, but instead a reflection of how customers in the general public process information. They are not at the policy level and are not in the position to develop or judge such a program. When the conversation moves into these areas, the somewhat negative response almost can't be helped. It's only natural that, when presented with numerous facts, a customer has to respond by trying to comprehend, relate to, and, ultimately, judge them, even when they don't give them the level of attention required for true assessment.

However, this does not mean that the CA Climate Dividend is destined for a harsh reception. On the contrary, in a variety of research settings, customers generally met the dividend with happy optimism. This is because they could relate to the dividend—not in its creation and distribution but in what it represents in terms of the environment. Moreover, customers have shown that they do not need all the details behind the Climate Dividend. They are, instead, more interested in what they can do to contribute to GHG reduction.



Customers generally desire a more simplified and direct explanation of the CA Climate Dividend:

- What is it? A twice-yearly credit on your energy bill
- What does it represent? Cleaner air from reduced greenhouse gases
- Who gets it? Every electricity customer receives an equal amount
- Where does it come from? Revenue generated by a program that reduces industry emissions

While customers may choose to look deeper, they don't *need* to look deeper. Enabling them to dig into other parts of the story, in their own way, appears to be a more desirable approach.

Given that customer education can be carried out over a period of years, through a variety of channels, it becomes even more probable that a communication approach can be executed that provides customers an ever-deepening exposure to the facts of the CA Climate Dividend.

The culmination of research and consideration for the overall objectives of AB 32 have led to a strategic approach that places the benefit at the forefront of the customer education campaign and delivers additional detail through the capabilities of a well-staged campaign.

- Position the Climate Dividend as a positive sign of cleaner air
- Inform and educate that climate change is being addressed
- · Keep information to a minimum and highlight the overall benefit
- Enable customer exploration of deeper information
- Encourage participation in customer GHG reduction

This strategy is the best approach to educating and informing customers in a way that is meaningful to them and delivers on overall program objectives.

## Leading with benefits provides bottom-line benefits.

The potential outcomes for this customer education approach appear beneficial for achieving lower GHGs without undue expense or resource requirements. By focusing on the ultimate benefit of the program, customers are more likely to support and align with the program:

- This means policymaking and implementation receive greater support.
- It also means customers are less likely to oppose the program in material ways, which often lead to slowdowns, extra costs, and other inefficiencies.
- Positive sentiment guides the customer through program information more effectively.

Customers are also more likely to share opinions about GHG reduction in a positive way with their peers, friends, and associates:

- This advocacy generates positive word of mouth, a powerful and essentially "free" form of customer education.
- This helps others gain awareness and form their own viewpoints and; it can even drive people to GHG-reduction solutions.
- Such word of mouth can also influence news outlets and the overall public dialogue.

Customers are also more likely to lower greenhouse gases through their choices, actions, and sustained behaviors:

- Increased awareness among customers on how their actions contribute to GHGs helps them modify their behaviors.
- Customers can increase participation in energy solutions by adopting alternative generation or green sources, energy-efficiency products, and even specific rates.
- Continued and considered support of business helps keep commerce flowing and ensure healthy economic conditions as the program takes effect.

Customer information and education that delivers the strongest impact for the overall public good would logically be an appropriate and astute use of this ME&O effort.

#### Strategic Summary

# Gain attention and connect with customers by showcasing the ultimate benefit that the California Climate Dividend represents: clean air.

#### **Business Strategy**

Efficiently enhance overall GHG-reduction efforts through:

**Customer accord**—Encourage alignment by focusing on lower GHGs.

**Customer advocacy**—Motivate Californians to help spread the word in their communities. **Customer contribution**—Inspire customers to participate in energy solutions and support ongoing commerce.

#### **Communications Strategy**

To fulfill customers' core desire of a cleaner environment:

**Tell the strongest story**—Focus on the ultimate benefit.

**Deliver it in a top-down manner**—Use channels and timing to provide the depth of information.

**Enable customer exploration of information**—Help the customer unfold the topic in the way and depth they require.

**Drive responses ranging from education to energy management engagement**—Use direct response methods to drive a feeling of open accessibility to information and guide customers to the information they need.

#### Share a story customers can relate to, embrace, and apply in their own lives.

Based on the strategy, communications should take a top-down approach, showcasing the overall benefit of the program as the wrapper to the story and delivering increasing amounts of detail through the channels and timing of outreach. This approach helps open customers to the message initially and creates a more inviting platform for communications over the two-year campaign period.

Starting with and building on the ultimate benefit of cleaner air connects the Climate Dividend quickly and easily to customers' core desire: They hope for a solution to climate change and, though they show a tendency to question the mechanics of achieving this solution, they are ready and eager for action to be taken.

There is, in fact, a lot to the story of the dividend, including it being an allocation of revenue, its source in cap and trade, and its connection to GHG reduction among industries and businesses. Delivering those incremental messages over the life of the campaign, in complementary stages, will give customers a better chance at absorbing the details and understanding how they are relevant in their own lives. The strategic road map uses the full two years of its scope to layer messages together to form a more complete picture over time, beginning with the environment and ending with more details on cap and trade.

For customers who are more inclined to dig deeper faster, the details of cap and trade, auction revenues, and their return to the public should be available. Options for using online resources or a call center need to be made clearly evident through all customer communications. This lends to the air of transparency and accessibility that the campaign should have. Furthermore, this can become a tactical advantage in terms of direct-response media, which is covered further in Section 6 of this report. In short, this means offering customers something they can order, such as an "information kit," through a response mechanism can serve the purpose of informing customers who are so inclined while also allowing a potentially more cost-effective media spend by nature of its direct-response approach.

Customers looking for further information, initially or over the life of the campaign, should also be educated on solutions that they themselves can participate in to contribute to GHG reduction. In fact, it's more likely they would choose such forms of added content over the mechanics and logistics of the cap-and-trade program. These solutions can range from simple behavioral changes to energy solutions or even alternative generation. Such solutions add to the overall reduction of GHGs while providing a sense of inclusion and empowerment for customers. This also helps tie the ME&O efforts for the CA Climate Dividend to other energy management solutions in place throughout the state.

Overarching Objective	Educate Customers on California Climate Dividend in Support of AB 32 Objective for Lower Greenhouse Gas Emissions				
Strategic Vision	Generate positive customer receptivity by connecting the dividend to a clean air solution				
Principles	Transparent & Sir	mple, Positive & Progressive, I	nviting & Enabling		
Guidelines	Solution-Focused Benef	ît-Oriented Response-Inspi	ring Exploration-Enabling		
Executional Pillars	<ol> <li>Topic It's about the environment, about better, cleaner air for now and the future.</li> <li>Dividend is a sign of a solution for climate change</li> <li>Clean air, less pollution, mitigation to climate change are all key desires</li> <li>Customers otherwise want to know about the dividend- -how much, how often, who, and if they have control over it</li> <li>Other information on lowering GHGs</li> </ol>	<ul> <li>Content</li> <li>Inform, don't explain.</li> <li>Help customers absorb and process in their fashion.</li> <li>The fundamental necessity of the environment</li> <li>The basics of the dividend</li> <li>The methods and channels to look further</li> <li>The role GHGs play</li> <li>Ideas and options for reducing GHGs</li> <li>More detail on cap-and-trade program</li> </ul>	<ul> <li>3 Delivery</li> <li>Present the story in suitable layers, in a top-down way, so customers can absorb over time.</li> <li>Use campaign concept as "wrapper" to connect the dividend to clean air</li> <li>Provide additional pieces of information aligned to the depth/format of the channel</li> <li>Invite customers into the story for solution participation and added detail</li> <li>Drive helpful response in the form of behavior change, energy solutions, advocacy</li> </ul>		

## Section 4 Customer Targets Californians classified

#### Grouping customers by reach and attitude

In a broad sense, the target for this program is all Californians. The task—informing and educating practically every household that will receive the Climate Dividend—means the first and most important objective is to reach those customers. Even though informing *everyone* is impractical and unlikely, the statewide scope has led to a targeting approach that groups customers primarily based on how they can be reached.

Consideration was also given for how energy consumers might react to outreach based on their attitudes and beliefs. However, those beliefs were not aligned to a particular customer type, demographic, or area. This means that although different beliefs and attitudes toward the Climate Dividend (and cap and trade) exist, they are not actually targetable through outbound communication channels. The target groups reveal the share of favorability and opposition in each group, but it is not possible to know who in each group has those attitudes.

In addition, it was learned that the core desire for customers—cleaner air—was somewhat universal and cut across culture, income, ethnicity, and location. The main message developed to raise awareness for the dividend was seen as impactful regardless of such distinctions. Forming targets based on reach, therefore, provides a way to align channels and tactics to ensure that customers hear the message. While other, more complex, targeting approaches were explored, it was determined that the most efficient and effective solution was this general reach-based approach.

In order to size these targets, and to understand how sentiment and beliefs are represented in each, the May 2013 quantitative study was used as a baseline. Comparing the results of this research to other information sources confirmed the general distribution found through the quantitative research.



Source: United Stated Census Bureau, "State & County QuickFacts: California," [website] <http://quickfacts.census.gov/qfd/states/06000.html>, accessed June 13, 2013.

## A note on the hard to reach

Throughout the development of the Market and Customer Conditions phase, insight was gained into the vast diversity of Californians. How, if at all, diversity affects customer awareness and beliefs toward GHGs and climate change was explored. Communication differences were also researched, including language barriers and approaches to seeking information.

As previously mentioned, and as validated through the May 2013 quantitative research, for the most part varying sentiment and information needs do not reside in any specific channel or customer segment (such as ethnicity or income). All unique customer segments of Californians contain pockets of proponents, opponents, and the undecided.

This conclusion was further validated with the qualitative research, which showed that generally all customer types gravitated to a single messaging hook. This hook captured the attention of and was favored by all customer types, regardless of ethnicity.

However, these factors do come into play when reaching customers. They are, as described, hard to reach. Within the quantitative study, it was this more ethnically diverse and lower-income customer that tended to neither consume mainstream broadcast media nor read their energy bills. The overlap between a common definition of "hard to reach" and the group of customers who will be hard to reach through this education program has led to the formation of this particular target. In other words, neither ethnicity nor income was used to develop this target. The ability to reach the group was the defining factor.

## **Reach Targets**

## Target 1: Read Bill

These are customers who read their electric bill in its entirety and represent 25% of households. Ideally, the most efficient channel will be the electric bill itself, and reaching customers through that channel is ideal. However, as the placement on the bill for the Climate Dividend will vary, and many customers indicated they only glance at the bill, it is important to size the group of customers who are most likely to be informed through this channel and assign them as a target. It cannot be assumed that 100% of this target will, in fact, see the CA Climate Dividend on their bills. However, 85% of this target can also be reached by traditional media. The combination of bill and broad outreach will be especially effective for them.

**General Profile** This group skews older, with 36% over the age of 55. They are more likely to own their home (57%). Three-quarters have at least some college education. Their household incomes are comparable to the overall California population. 52% are Caucasian, 20% are Hispanic, 12% identify themselves as multiethnic, and 4% are African-American.

As far as their attitude toward the Climate Dividend (and the cap-and-trade program that it represents), well over half of them favor it. They cite financial gain and a positive environmental impact as key drivers to that sentiment. Reasons for opposition include a disbelief that it will actually work and a concern for high prices.

**Sentiments & Beliefs** When asked about their reaction to a credit on their bill called the CA Climate Dividend (without a detailed description), most either had a positive reaction or wanted more information. Around 20% said they wouldn't know how to feel about the Climate Dividend. 23% would want to know more about it. For the most part, this target has heard of GHGs (84%) and is more receptive to the Climate Dividend program. After hearing a brief description, a majority (58%) favor the Climate Dividend.

## Target 2: Broad Outreach

This is the largest target group, representing 62% of households, and the one most readily accessible through traditional broad-based outreach tactics. However, they may not read their bill or may only glance at it. They do consume over 6 hours of traditional media each week, including TV, radio, and Internet, and are likely to be reached through these channels, which may lead them to pay more attention to their bill.

**General Profile** This target is younger, with 42% under the age of 35. About half own their home and half rent/lease their home. Around 70% have at least some college education, and their incomes are also comparable to the overall California population. 50% are Caucasian, 24% Hispanic, 12% Asian-American, 7% identify themselves as multiethnic, and 5% are African-American.

Their levels of sentiment look much like the Read Bill group.

**Sentiments & Beliefs** Similar to the Read on Bill target, when asked about their reaction to a credit on their bill called the CA Climate Dividend (without a detailed description) most either had a positive reaction or wanted more information. 22% would want to know more about it. This target also has heard of GHGs (80%) and is more receptive to the Climate Dividend program. After a brief description of the Climate Dividend, they favor the program (57%).

## Target 3: Hard to Reach

This group is minimally exposed to traditional media, consuming less than 6 hours each week, and they are not likely to review their bill. They make up 13% of California households. As demonstrated within the Market and Customer Conditions section, California's diversity in

geography, culture, ethnicity, and language provide a hurdle in delivering reach. This is a likely driver for this target's isolation from mainstream and energy company communications. Also, demographic data collected through the quantitative study confirmed their greater propensity toward ethnic and income diversity.

**General Profile** This target's age is comparable to the overall California population. 60% rent their homes, and 51% did not attend college. Their incomes are drastically lower, with 76% of households making less than \$50,000 per year. 28% are Caucasian, 54% Hispanic, 12% Asian-American, and 5% African-American. This target is also more likely to live in the Central and Southern Farm region (23%).

Their opinion of the Climate Dividend is much more likely to be in the "don't know" category than the other two targets. Still, about half say they favor it and only about 14% (the smallest portion among the targets) say they oppose it.

**Sentiments & Beliefs** When asked about their reaction to a credit on their bill called the CA Climate Dividend (without a detailed description), 39%—a considerable amount—said they would not know what to think about it. 21% would want to know more about it. This target is much less likely to have any awareness of GHGs (56%) and less likely to understand global warming and the Climate Dividend. While half say they support the program after a brief description, 35% continue to be undecided about the Climate Dividend.

	SENTIMENT					
	READ BILL	BROAD OUTREACH	HARD TO REACH			
		Column %				
	AWARE OF GHGS					
Yes	84%	80%	56%			
REACTION TO CLIMAT	TE DIVIDEND (BEF	ORE DESCRIPTIO	N)			
Positive (general)	34%	37%	15%			
Want to know more about it	23%	22%	21%			
Suspicious of it or not trust it	8%	7%	9%			
Surprised or confused	8%	10%	9%			
Negative (general)	3%	4%	3%			
Ignore it	1%	3%	3%			
Don't know	21%	17%	39%			
DIVIDEND SENTIMENT (AFTER DESCRIPTION)						
Favor	58%	57%	50%			
Oppose	21%	26%	14%			
Don't know	21%	17%	35%			

DEMOGRAPHICS	READ BILL	BROAD OUTREACH	HARD TO REACH
	Column %		
AGE			
18–24	9%	19%	18%
25-34	11%	23%	12%
35-44	23%	20%	20%
45-54	21%	18%	18%
55-64	15%	11%	19%
65+	22%	9%	13%
HOME OWNERSHIP			
Own	57%	50%	36%
Rent	40%	47%	60%
Lease	3%	3%	4%
EDUCATION			
Some high school	8%	8%	18%
Graduated high school	17%	21%	33%
Some college	19%	19%	16%
Two-year degree	10%	9%	11%
Four-year degree	28%	27%	17%
Post graduate	18%	16%	6%
ETHNICITY			
African-American	4%	5%	5%
Asian or Asian- American	11%	12%	12%
Caucasian	52%	50%	28%
Hispanic	20%	24%	54%
Multiethnic	12%	7%	0%
Other	1%	1%	1%
INCOME			
Under \$30k	26%	27%	54%
\$30k-\$49k	21%	16%	22%
\$50k-\$74k	15%	15%	6%
\$75k\$99k	14%	17%	6%
\$100k-\$149k	16%	14%	5%
\$150k-\$199k	4%	7%	4%
\$200k+	4%	5%	3%

## Differences by Region\*

To increase learning and actionability for the targets, especially through localized and community efforts, they have been further identified by geographic region. For example, over 90% of households in both the Bay Area and the Central Valley are reachable (in the Read Bill and Broad Outreach targets). By comparison, only 79% of the households in the Central and Southern Farm region are reachable.

\*Regions were defined from the CDSS/DAPB study.



## Differences by Sentiment

Even though the target definitions are based on reach, and thus focus on outbound communications, it is expected that the different sentiment groups within the population could react differently. These groups will have varying reactions and additional informational needs that, when fulfilled, can engender a positive outlook and potentially motivate consumers to engage in further reducing their own GHG footprint.

Generally, most customers are in favor of the dividend—albeit with differing *primary* reasons. The remaining Californians are either opposed to it or simply not sure. Those opposed also differ in their rationale for being opposed.

**Favor Dividend—Why?** The top reason for supporting the CA Climate Dividend is that they believe it will help the environment or reduce the effects of global warming (26%). Another 23% say the money or credit will help them reduce their monthly bill.

**Oppose Dividend—Why?** 40% of those who oppose the CA Climate Dividend do so because they do not believe the dividend will help solve the problem of global warming or reduce GHGs. Another 20% think they will just end up paying more in the long run and the cost is not worth such a program. Others (12%) do not think it is the government's job or simply do not trust the government.

**Undecided on Dividend** This group includes only those who, after given a brief description, either do not understand the program or have no opinion. It accounts for 20% of California households.

As with reach, sentiment toward the Climate Dividend is not isolated to certain customer types. However, males are more likely to oppose the dividend, while females are more likely to not have an opinion on the program. Ethnic minority groups make up 58% of the proponents. Among the opposition, 64% are Caucasian.

DEMOGRAPHICS	FAVOR DIVIDEND	OPPOSE DIVIDEND	UNDECIDED ON DIVIDEND	
	Column %			
AGE				
18–34	37%	33%	33%	
35–54	42%	34%	36%	
55+	21%	32%	31%	
GENDER				
Male	48%	60%	39%	
Female	52%	40%	61%	
ETHNICITY				
African-American	7%	2%	3%	
Asian or Asian- American	14%	5%	15%	
Caucasian	42%	64%	43%	
Hispanic	28%	19%	32%	
Other	9%	10%	6%	
INCOME				
Under \$50k	50%	39%	51%	
\$50k-\$99k	28%	33%	23%	
\$100k+	21%	28%	26%	

Regionally\*, the Bay Area has the highest favorability (63%) towards the CA Climate Dividend. By comparison, only 36% of the households in the North & Mountain region have a favorable opinion of the program. Households in the Los Angeles and North & Mountain regions are more likely to be undecided about the CA Climate Dividend.

\*Regions were defined from the CDSS/DAPB study.



#### What will be their likely initial reaction?

Respondents were asked to report their possible reactions if they were to see the Climate Dividend as a credit on their energy bill. Their responses further help in understanding the makeup and mind-set of these segments.

**Favor Dividend** Generally, these customers are aware of GHGs and receptive to the topic. If the Climate Dividend is seen on the bill first, they are likely to want to learn more about it.

**Oppose Dividend** These customers are also likely to be aware of GHGs and receptive to the topic. However, if the Climate Dividend is seen on the bill first, they would be more suspicious or confused than the ultimate proponents.

**Undecided on Dividend** These customers are the least apt to be aware of GHGs. They also appear to be the least interested. Nearly 40% (37%) reported they don't know how they would

react if they saw the Climate Dividend on their energy bill. They also are not any more likely to *want* to learn about it than those in the other two segments.

	FAVOR DIVIDEND	OPPOSE DIVIDEND	UNDECIDED ON DIVIDEND		
	7,004,184	2,884,686	2,511,130		
		Column %			
	AWARE OF GH	GS			
Yes	79%	87%	65%		
REACTION TO CLIMATE DIVIDEND (BEFORE DESCRIPTION)					
Positive (general)	40% 26% 21%				
Want to know more about it	25%	17%	22%		
Suspicious of it or not trust it	5%	17%	6%		
Surprised or confused	8%	14%	10%		
Negative (general)	2%	9%	3%		
Ignore it	2%	4%	3%		
Don't know	18%	14%	37%		

## Acting on the Segments

Once aware, some customers will want additional information. Even though the differing sentiments and potential information needs cannot easily be aligned by channel or customer demographic, content in response channels should account for the benefits (financial and cleaner environment) and the skeptical beliefs (solution won't work or it will cost too much) inherent in customer attitudes.

## Section 5 Tactics & Channels *Solid impact*

Delivering customer education and outreach for the California Climate Dividend in an impactful, practical, sustainable way.

## Overview

Campaign tactics and channels for this program have been selected to provide solid and sustainable impact on customers in a cost-effective way. The goal is to ensure customers understand that they are receiving a credit and that that credit represents cleaner air and a solution to climate change, as the strategy has outlined.

Reaching customers is key. Informing and educating them ensures they will recognize and understand the credit that appears on their electricity bill. Not reaching them creates the possibility of concern and misperception, potentially creating issues ranging from customer management to negative public discourse. The targets developed in this recommendation reflect the importance of this objective, as well as the fact that, while customers are very similar in the message they resonate with initially, they can be quite different in how they react to that message. Therefore, recommended tactics include both a far-reaching outbound campaign and a series of vehicles and channels to not only increase overall awareness, but also satisfy target needs as they react to the message they hear.

In actuality, this creates an opportunity, as execution of the campaign can both raise awareness of the Climate Dividend and relate it to the larger solution of clean air. This means creating real and tangible associations between the two and using the context of cleaner air to direct customer reaction. As targets seek information about the Climate Dividend, they can engage in the topic of a smaller carbon footprint. Tactics have been developed and channels recommended to enable customers to explore this information in easily accessible ways and directly participate in GHG reduction through their choices, actions, and behaviors.

In the end, the recommended tactics are designed not only to deliver the message to customers, but also ensure they hear the message, give it attention, and interact with it in meaningful ways.

While this may seem an ambitious endeavor for a simple Climate Dividend, it falls in line with the requests of Decision 12-12-033: to expand upon the purpose and value of the Climate Dividend. Better yet, it can be done both effectively and efficiently given the right mix of channels and use of tactical elements. There's also incremental value in how the tactics recommended easily lead to other program solutions under AB 32. Given the need to execute a plan that hits on these key objectives while remaining conservatively priced and competitively neutral, guideposts have been developed. These were also used to shape tactical recommendations contained in this report and should be employed by any parties executing this plan. They include:

- **Cost-effectiveness:** In order to maximize revenue allocation
- **Cross-cultural and multiple-target compatibility:** To appeal to diverse California customers
- **Longevity and sustainability:** To ensure the campaign can not only endure effectively over the two-year outreach window, but potentially provide value as a platform for ongoing communications

- **Low administrative requirements:** To ensure the tactics are executable across various markets and energy providers in a practical way
- Adaptability and the ability to evolve: To accommodate program changes and keep customers properly informed

## **Overall Communications Approach**

A plan has been developed to expand on the value and purpose of the Climate Dividend and to achieve maximum feasible awareness, based on available data and learning. Recommended tactics include the use of a simple and hopeful representation of the Climate Dividend to help customers receive the good news with positive feelings. This representation should invite customers to engage further to learn more about the dividend, climate change, and clean air. It should also be portable, shareable, and easily distributed, both physically and digitally. An online resource or centralized program website should be created for customers to learn more about every aspect of the dividend, as well as to connect customers to other energy solutions. And a simple set of email communications should be developed so customers can stay up to date, get more information, and receive tips and ideas for reducing their GHGs.

A variety of low-cost, high-reach channels should be used to spread the word quickly and loudly over a short period. It is recommended the campaign ramp down between credits and run only through simple, low-cost, and "always on" channels. Deploying localized advertising and lowcost community channels is also recommended to inform and educate the hard-to-reach customer who may miss other messages. The recommended plan, detailed throughout this section, includes:

- Multichannel execution to ensure thorough coverage and the ability to tell incremental parts of the story through varying channels
- A broad spectrum of low-cost touches, complemented through broadcast media, to help reach a large number and diversity of customers in a short period
- "Pulsed" broadcast message timing to coincide with the credit and elevate awareness at the most appropriate time
- Embedded response mechanisms to enable customer access and perhaps secure more favorable media spends (direct-response media)
- Widely deployed and easily recognizable iconic reminders
- Shareable assets to encourage word of mouth
- A centralized website to manage information exploration, requests, data collection, and advocacy and to assist word of mouth

## Campaign Synopsis

As the campaign begins, broad-based communications will reach customers throughout the state through broadcast media and outdoor channels, on the Internet, in their electricity bill, and through community services. These channels will generate awareness as customers begin to hear about, recognize, and understand the Climate Dividend as an outcome of GHG reduction. As the campaign progresses, customers will be encouraged to look further into information about the dividend as well as reduce their own carbon footprint. Online resources and tools will help customers learn more about the program, emission reduction, and ways to get further involved in GHG reduction.

Exposure to a digital social element designed for optimal shareability will begin to take hold. Customers will easily share a simple symbol of their support for cleaner air: a footprint that touches their Facebook, Twitter, or other social pages and travels on to their friends and associates—and throughout the state. They will begin to see the footprint around their community as decals on businesses and public facilities that likewise support GHG reduction. They will share ideas, adopt more solutions, and look online and in their inboxes for information on just how far GHGs have been lowered. And they will come to understand that the Climate Dividend they've received—though it will eventually go away—was a great way to share with other Californians the efforts and outcomes of lower emissions.

## Channels

Leveraging a mix of channels in a pulsed fashion helps create a general awareness of the Climate Dividend and instills a sense of something bigger for customers to engage in. This multichannel approach has been designed in order to reach the greatest number of California residents sustainably throughout a two-year period. The channel selection also takes into consideration cost and environmental factors.



## Mass communications

Mass communications provide overall awareness of the program and context for the Climate Dividend as a representation of cleaner air. These communications ensure that customers feel somewhat informed, for when they actually receive the credit, and that the program is transparent and accessible. The messaging is minimal, eschewing details of the program in favor of delivering a positive perception of the ultimate benefit. The visual iconography and concept for mass communications help generate a positive response in customers' minds and open the door to other messages for greater receptivity.

Mass is composed of a combination of broadcast (to include radio and TV), print (local newspapers), outdoor or out-of-home advertising (such as bus stops and mass transit in dense urban areas and billboards in others), and other wide-reaching channels. They should include a response mechanism to provide customers the means to access additional information.

## **Bill communications**

This is a critical element of the plan, as it literally touches every household that needs to be informed. However, by itself it is not likely to capture enough attention to adequately inform or educate a significant number of customers. It does, though, provide a key point of information

delivery of the simple message of good news about a credit. Both the electric bill and inserts or inclusions with the bill (physical or e-bill) need to provide a more complete, yet still brief, description of the program. The details here should center on the dividend itself, such as equal distribution, frequency, amount, and automatic credit.

With their bill, customers should also see information on how to contribute to GHG reduction. A variety of suggestions and ideas—simple tips and other program solutions—can lead customers to make decisions and carry out behavioral changes ranging from driving less to installing energy-efficient home upgrades.

## Other energy company communications

Customers will likely seek information in a variety of ways, including checking with their electricity provider. It is important for those providers to have information on their website in support of the campaign, as well as to train their customer service reps (CSRs) on the important details of the program. Even though communications will provide a campaign URL and an 800#, some customers have revealed in research that they would still check with their provider for more information. In addition, energy companies should use campaign materials in their pay centers or other public venues, especially to assist informing the hard-to-reach customer who often turns to these centers more frequently than others.

## Online media and search

Online and digital media help generate incremental awareness and will become an easy way for customers to take direct action in learning more about the Climate Dividend program and reducing their own GHGs. Banner ads and display advertising extend the creative concept into the online environment and should touch on a few key messages, such as dividend details, GHG definition, carbon footprint estimation, and business success stories, in order to elicit a click.

Search-related media and search engine optimization are needed to capture a natural behavior of customers: to look online for information. Creating a keyword strategy for terms such as "climate dividend," "cap and trade," "clean air credit," "carbon footprint," "carbon auction," and even "AB 32" ensures customers find the information they need from a comprehensive resource instead of relying fully on hearsay and opinion.

## **Climate Dividend website**

This is a centralized resource of information related to the Climate Dividend. It provides the forum for ideas and concepts to come to life in the customers' hands while also serving as a place for customers to learn more about GHGs, how they can reduce their own carbon footprint, and how the state is tackling the problem through the cap-and-trade program and other efforts. A convenient FAQ section answers most questions in a succinct manner, while more complete details are available to those who want to become more deeply educated on the policies and practices behind the program.

The website should also be a place for customers to sign up for email updates (to help maintain overall awareness levels and provide greater information sharing) as well as a place to help promote and administer social media communications and sharing.

## Email

As customers seek more information through online resources or a program 800#, they should have the opportunity to opt in for periodic email updates. These emails provide program administrators the ability to communicate important information to interested customers, keep customers informed of any changes or updates to the program, and even to report on the successful reduction of GHGs. These emails also serve as a platform to showcase energy management solutions and GHG-reduction ideas to keep customers engaged and contributing to positive climate change.

#### Social media

Social channels help expand reach, encourage a two-way dialogue, enable customers to share their support for the initiative, and fuel a continual vehicle for engagement by keeping the story alive (even during the months without a credit).

Within this channel customers have an easily shareable message. The footprint icon serves as a badge and promotes "walking" the message of the Climate Dividend across the state, effectively promoting positive customer awareness and showing broad support for cleaner air. A microsite around the blue footprint helps facilitate this sharing and pulls customers back into a centralized and ongoing story about the impact of the cap-and-trade program (both in the form of total payouts and reduced emissions). This also helps maintain relevancy by continually adding tips/content and impact stats.

## Community

Leverage community-based organizations to help inform and educate hard-to-reach customers on the benefits of the Climate Dividend. Grassroots-style community outreach leveraging civic groups, homeowner associations, city council organizations, multicultural and faith-based organizations, and others reaches those customers who rely less on mass communications and who need special attention, translation, or other communications to effectively be informed. These localized efforts help create awareness and answer questions in relevant, local settings. They facilitate understanding and knowledge of the advantages of the Climate Dividend. They provide a venue for customers to ask questions and obtain or clarify information. And, of course, they are a valuable and impactful way to maximize reach to more isolated populations.

## Earned media

Though not part of the actual campaign calendar, public relations efforts can drive the press to cover the story of the California Climate Dividend. It's newsworthy that Californians are receiving this credit, and even more compelling when it is understood that this credit is related to lowering GHG emissions. It will be important for news outlets to have the proper level of information to share this story and increase the collective level of awareness of the program. A press or media kit can help reporters quickly understand the details of the credit most relevant to customers (such as how much, how often, who gets it, and is there anything they have to do) and help them find their way through the details of cap and trade. A spokesperson for the program should be considered to help funnel information through a central resource and create a consistent message.

## Campaign Impact

## **BASIC EXPERIENCE FLOW**



As a result of this campaign, customers should, at the very least, become more aware of the Climate Dividend. However, the plan is to enrich the message and meaning of the dividend to transform awareness into understanding. This means a customer is educated on what's behind the dividend and what it represents. The campaign is further designed to turn that process of educating into an opportunity for a customer to become personally involved in climate change. A range of options, from simple tips to robust solutions, can make involvement pay off for customers in the form of a smaller carbon footprint. And, ultimately, some customers will become advocates for greenhouse gases, if not for the Climate Dividend itself or for the capand-trade program.

## Campaign Timing

Since the campaign will start at the beginning of 2014, it will need to capture attention rapidly so customers are not caught off guard when the credit hits their bill sometime in February. It is helpful to start the campaign in early January because the post-holiday, early-year period is typically quieter in terms of heavy media spends.

## HIGH-LEVEL CAMPAIGN CALENDAR



## Campaign Phases

## I. Announce

The first campaign wave announces the Climate Dividend to the public and provides the first round of awareness generation. It runs before the credit, early enough to inform customers prior to its receipt. It will overlap briefly beyond this period to capture customers' attention after receiving the credit, which they may have already noticed on their bill. The basic concept, purpose, and nature of the campaign are established in this wave.

## II. Remind and Invite

The second campaign wave helps bring awareness levels back up and builds upon it by inviting customers deeper into the program. It will encourage customers to take action ranging from reading more information about the program to working to reduce their own GHGs. This aspect

of the "invitation" is emphasized more fully in the second wave (even as response mechanisms are built into the first) to take advantage of the accumulated awareness and provide for expansion and refreshment of the overall story.

## III. Invite and Involve

The third wave hits harder on the customer participation aspects of the campaign. At this point, it is hoped that the concept has had enough time to move through the market. This greater marketplace presence should be accompanied by higher recall and recognition. These conditions increase the relevancy and value of individual customers increasing their involvement in the campaign and GHG reduction. This involvement can help customers lower their own GHG emissions and even become advocates for clean air.

## **IV.** Involve and Report

The fourth wave continues its emphasis on involvement but adds the element of "reporting out" on the progress of GHG reductions. This simply means sharing with customers that greenhouse gas emissions have indeed been lowered and to what level. For example, "We've reduced emissions to pre-year 2000 levels" or "emissions are reduced by 15%." This reporting can lend an increased air of significance and credence to the program overall overall and adds even more encouragement to customers to stay behind this program even as the period of energy credits disappears. While it shows up in other channels, including it in broadcast media for the first time during this final phase will ensure that the number of GHGs saved is at its largest amount—making the story that much more powerful.

Channel	Vehicle	Marketing Purpose	Targets Reached	Messages	Call to Action	Desired Outcome	Basic Metric
Broad-Based Outreach	<ul> <li>Broadcast (TV, possibily radio)</li> <li>Print</li> <li>Out of Home</li> </ul>	<ul> <li>Generate awareness</li> <li>Ensure receptivity</li> <li>Prompt mindset</li> </ul>	Read Bill     Broad Outreach	<ul> <li>Credit (dividend) is coming – air is cleaner</li> </ul>	<ul><li>Visit Dividend website</li><li>Call 800#</li></ul>	General awareness and favorable perception	Aided awareness
Energy Company Communications	<ul> <li>On bill</li> <li>In bill</li> <li>Website</li> <li>CSRs</li> <li>On bill</li> </ul>	<ul> <li>Extend awareness</li> <li>Deliver credit details</li> <li>Encourage lowering GHGs</li> </ul>	<ul> <li>Read Bill</li> <li>Some Broad Outreach</li> <li>Some Hard to Reach (via pay centers, etc.)</li> </ul>	<ul> <li>Here is your clean air credit</li> <li>What to expect</li> <li>Allocation of revenues from cap and trade</li> </ul>	<ul> <li>Visit Dividend website</li> <li>Call 800#</li> </ul>	Customers see credit and learn more about why they are getting it, plus learn how they can learn more and take action	Satisfaction
Online & Digital	<ul> <li>Facebook</li> <li>Twitter</li> <li>Pinterest</li> <li>Reddit</li> </ul>	<ul> <li>Support awareness</li> <li>Promote GHG reduction</li> <li>Draw customers into online assets</li> </ul>	<ul> <li>Broad Outreach</li> <li>Read Bill</li> <li>Some Hard to Reach</li> </ul>	Credit is coming     What the credit     means-lower     industry GHGs     Details on credit     Ways to get     involved	<ul> <li>Click to learn more about:</li> <li>the Dividend</li> <li>reducing GHGs</li> </ul>	Customers encounter information as they search online for answers. Cilcking through brings them to primary resource for information and action	Number of impressions and Click-through rate
Social & Word of Mouth	<ul> <li>Facebook</li> <li>Twitter</li> <li>Pinterest</li> <li>Reddit</li> </ul>	<ul> <li>Provide more persistent awareness and interaction</li> <li>Promote advocacy</li> <li>Provide direct communications</li> </ul>	Opportunities for all targets given diverse set of social sites available and grassroots nature of word of mouth	<ul> <li>Show your support</li> <li>Share your tips</li> <li>Learn how many GHGs have been reduced</li> </ul>	<ul> <li>Collect the tag</li> <li>Share the tag</li> <li>Learn more</li> <li>Share tips</li> </ul>	Californians see and share broad public support of smaller carbon footprint while learning from each other and program representatives	Social sentiment (mentions, positive vs. negative) Tag pass-along
Community Based Outreach	Territory-specific CBOs     Ethnic focused local businesses	Inform the hard-to- reach target     Expand local awareness and presence     Embrace local resources	Hard to Reach	Credit is coming – air is cleaner     Credit details     What to expect, what it means     Ways to get involved	Learn how to reduce their own carbon footprint	Hard-to-reach customers use community resources and cultural centers to learn about the cilmate dividend and understand its meaning and essential	Aided awareness among Hard to Reach

## TACTICS & CHANNELS OVERVIEW

## Tactical Add-Ons

These tactics are currently up for consideration, as they have not been evaluated against costs nor against their impact on the environment. They do provide valuable extensions to the campaign and increase the impact on the customer.

## **Business Clean Air Identifier**

The footprint logo for this program can serve as a symbol of support among customers, institutions, and businesses. As a symbolic tag or marker, it can show who supports lower GHGs—and it is an easy way to remind others to do the same. While the footprint will serve in its digital form as a shareable social element, it can also be executed as a physical asset to extend its presence in the market and impact on overall campaign results. For businesses, a physical decal or poster can go in their facilities, on their front doors, or in their windows to show they, too, support clean air. This also helps customers recognize that businesses in general are doing their part to help lower emissions and helps create a sense of overall progress toward a positive outcome.

## **Clean Air Information Kit**

This primary information package can deliver information on clean air solutions and on the capand-trade program to provide customers an all-in-one resource. It could feature a number of GHG-reducing strategies along with an overview of where the state is in terms of total GHG output and where it is planning on being by 2020. While this information can all be made available online as well, the development of the kit helps serve customers who may lack such access, provides a platform for translation into other languages, and can be distributed through community-based organizations. If done in a helpful and added-value manner, it can also be something the customers request through the direct-response component of other vehicles.

## **Dividend Donation**

Customers have expressed some desire to be able to donate their individual dividend to an environmental program or charity. While it is expected that only a few customers would actually do so, the option to donate supports the idea that the ultimate benefit is GHG reduction and that the individual customer can help make that happen. It showcases suitable causes and can even be localized to highlight solutions specific to the customer's community. The means to do so through messaging on the bill may be too difficult to carry out. A viable way to achieve this is by sharing the names of recipient charities or programs and encouraging the customer to take all other necessary actions.

## **Overall Budget Exercise for a Meaningful Impact**

Determining an optimal spend level is certainly a challenge. Without specific awareness-level goals, and a way to put a "value" on that awareness, the ideal spend level is difficult to definitively provide. However, an approach was developed to calculate a probable level of spend based on two related perspectives:

- 1. A percentage of total revenue allocated
- 2. A reasonable spend per customer

Given the total number of households in California, and a working conservative average of \$40\* per household each year, a fairly sizable amount of money will be distributed through this dividend each year: \$500MM. In order to maximize awareness of the dividend while keeping its total value mostly intact, this exercise aimed for 5–10% of that amount as a general guideline equaling roughly \$25MM-50MM per year.

What that dollar amount means at a per-household level was then considered. The percentage noted above (5-10% of the total) means a 2-4 per household marketing spend. While the grand total above does, by itself, appear large, the actual customer-level spend seems reasonable, especially considering all the additional energy-saving benefits customers can receive from this plan.

To evaluate the total dollars arrived at by this approach, a media perspective for the spend level was developed. In the basic media model theorized (covered in detail in Section 7 of this document), the budget levels in consideration were capable of delivering a meaningful level of awareness when used across mass, digital, community, and other channels.

The chart below provides the results of this budget exercise and an allocation of outreach funds. It is based on reasonable marketing practices in order to hit a meaningful awareness goal. Note that an actual spend should be developed for rollout as program details firm up. Also note that the budgets shown take a conservative approach, landing roughly in the 5.5–7% range based on the basic formula above.

\$35MM BUDGET YEAR 1		
TACTICS / ACTIVITIES	MM'S	% OF SPEND
Mass (Broadcast, Radio, OOH, Local Newspapers/Pubs)	\$20.0	57%
Online (Display, Search, Website, Social)	\$7.0	20%
Energy Company (Bill Stuffers, Company Website, Pay Center)	\$6.0	17%
Community (CBOs, Events)	\$2.0	6%
TOTAL	\$35.0	100%

## \$28MM BUDGET YEAR 2

TACTICS / ACTIVITIES	MM'S	% OF SPEND
Mass (Broadcast, Radio, OOH, Local Newspapers/Pubs)	\$13.0	48%
Online (Display, Search, Website, Social)	\$7.0	26%
Energy Company (Bill Stuffers, Company Website, Pay Center)	\$5.5	20%
Community (Local, CBOs, Events)	\$1.5	6%
TOTAL	\$27.0	100%
Source: Mark Baldassare et al., *PPIC Statewide Survey: Californians and the Environment," July 2012.	<u>@</u>	

\*These figures will vary as credit amounts are not actual and should be used as a guide for the final spend levels.

## Section 6 Creative Concept "The Big Idea"

## Generating Insights for Creative Development

Three sessions of qualitative research were held in May 2013 to assist in the development of the communications approach and Climate Dividend messaging. These focus groups were conducted in San Diego, Riverside, and Sunnyvale.

## Stimuli (both concept statements and visual direction) were used to:

- Understand current awareness (if any) and perceptions of the program.
- Explore comprehension and perceived relevance of the program (based on a written description).
- Identify perceived benefits of the program, anticipated actions taken as a result, etc.
- Explore receptivity, relevance, and comprehension of a number of conceptual messages for the program.

## Recommended Content Direction

#### **Introductory copy:**

Six copy options introducing the California Climate Dividend were presented to focus group participants. The participants were also provided with the following explanation:

As a result of industries working to reduce their emissions, customers will receive a credit on their electricity bill called the California Climate Dividend.

#### Option 1

With the California Climate Dividend, we're helping our customers manage their energy costs while helping to make a cleaner California.

## Option 2

The California Climate Dividend is a financial incentive to help decrease CO2 levels and slow down climate change.

#### Option 3

The California Climate Dividend is your invitation to help the environment by being more energy-efficient and reducing your greenhouse gases.

## Option 4

The California Climate Dividend is proof that utilities and other industries are taking action to reduce greenhouse gases.

#### Option 5

The California Climate Dividend is a public distribution of revenue generated through utility company participation in a greenhouse gas cap-and-trade auction.

## Option 6

The California Climate Dividend is a way to help customers offset rising costs related to reducing greenhouse gases.

According to the "Summary of Qualitative Research,"<sup>1</sup> given their lack of familiarity with the program and a universal assumption that the incentives are directed at residential customers, the respondents generally reacted to these statements with skepticism and confusion:

- Most expressed skepticism about any communications from their energy provider.
- This skepticism was heightened when it was perceived from these statements that they were getting "money for nothing."
- Most indicated a desire for some additional explanation.
- Many admitted that they were unlikely to follow up, but wanted to know where they could go to find more detail.

#### Positive elements included:

- Financial incentive
- Helps reduce CO2 levels
- Reducing greenhouse gases
- Helping to make a cleaner California
- Being more energyefficient
- Help offset rising costs

## Neutral/mixed elements included:

- California Climate Dividend
- As a result of industries working to reduce emissions
- Public distribution of revenue

#### Negative elements included:

- Invitation to help
- Proof the utilities are taking action
- Rising costs
- Revenue
- Cap-and-trade auction
- Reducing your greenhouse gases
- Helping our customers manage
- Utility company participation

# When describing the Climate Dividend, it will be important to follow these guideposts:

## SAY

Explain "dividend" using basic benefits

- Helps clean the air
- Helps the environment
- Slows down climate change
- Improves air quality
- Makes for a cleaner California

Lead with credit: mention first, explain how much and when they'll receive it

- Equality: all households receive credit + same amount
- Twice-yearly credit (amount, how often)

## DON'T SAY

- Cap and trade: descriptions bring up questions and suspicions
- Tighter cap on industries: sounds like it might be hard on business
- Limits on the amount of GHGs: confusing, just say "reduced"
- Businesses trading credits: brought to mind corruption and administrative costs

## How to Describe Climate Dividend

## **Concept A**

The California cap-and-trade program limits the amount of greenhouse gas (GHG) industrial customers can emit. Every year, the cap, or upper limit, on that amount is reduced. Industries are encouraged to trade credits earned when they are under their limit with other industries that may be over the limit through a GHG auction. As a result of public utility company participation in that auction, you'll notice a credit on your monthly bill, called the California Climate Dividend. It's an allocation of public utility revenue returned to the general public.

## Findings:

- Customers were in general agreement that reducing GHG emissions was an important goal.
- The reference to their energy provider participating raised significant questions and concerns.
- Most rejected explanations that began with references to "cap and trade," noting that it was confusing or controversial.

- Few readily understood this explanation, and most indicated they had little interest in these details.
- Most felt this final sentence sounded too much like legal jargon and was not written conversationally enough for their liking.

## **Concept B**

The California Climate Dividend is a credit you will receive on your electricity bill as an outcome of the California Greenhouse Gas (GHG) Cap-and-Trade program. In this program, businesses have a cap on the level of GHG they can emit. Plus, they can trade credits with other businesses to manage those levels. Because public utilities are participating in this program, they are generating additional revenue, which is then returned to customers. The California Climate Dividend you receive will help offset costs related to the price of carbon emissions and add support to the success of the cap-and-trade program.

## Findings:

- Starting with a mention of credit was deemed appealing and attention-getting.
- Among those who comprehended the potential impact of cap and trade, this was viewed as a factual and honest rationale for the dividend—but it raised negative concerns for most.
- Some liked the "branding" of the program, although most reacted negatively to the reference to cap and trade.
- This explanation raised more questions than necessary and reinforced concerns about energy providers profiting from the exchange.

## Concept C

The California Greenhouse Gas (GHG) Cap-and-Trade program creates an economic incentive that encourages businesses to reduce their GHG emissions. An ever-tighter cap on the amount of GHG a business can emit coupled with the ability to trade GHG credits with other businesses will provide financial stimulus for innovation and efficiency. Likewise, the California Climate Dividend will provide customers with a twice-yearly credit on their energy bill to help manage energy costs while promoting participation in creating a cleaner, more energy-efficient California.

## Findings:

- Most dismissed the description as unnecessarily detailed.
- All liked the indication of frequency.
- Few understood how the promise of "managing" energy costs was related to the program overall.
- Participants were mixed in reaction, noting that reducing emissions was helpful by way of explanation, but questioned the "soft" wording.
- Few found "while promoting participation" credible. Seen as an "over-reach" for a program that did little to encourage residential customers to reduce or conserve.

## Concept D

The credit you receive on your energy bill is called the California Climate Dividend. This credit is part of California's cap-and-trade program, which motivates industries to meet strict environmental goals to reduce greenhouse gas (GHG) emissions. California has set an aggressive goal for reducing greenhouse gases like CO2 in our atmosphere. The California Climate Dividend provides an economic incentive for all energy consumers to leave behind a smaller carbon footprint.

## **Findings:**

• This was generally the most preferred concept. It was seen as starting with the right detail, providing "just enough" explanation to inform without raising concerns.

- Many liked the notion of a smaller carbon footprint, while noting that this program really only applied to business.
- Few believed that it provides an economic incentive for all energy consumers, and some noted that it was not a credible claim for an "industry-focused" incentive program.

Visual/Conceptual Stimuli (Adlobs)



## "Footprint"

Bit by bit, change by change, we're making a difference in California. Emission reductions are happening and it's reflected in our carbon footprint. It's getting greener as the air is getting cleaner.



## "Working Together"

In California, we're all individuals, but when it comes to important issues like climate change, we're working together. If we each do our part, in our own individual ways, chipping away at the bigger challenge is much easier—and we can make a difference sooner.



## "Change Is in the Air"

We're making change in California—and you can see it in all of us. We're outside, enjoying life, doing all the things Californians love to do. And we're looking forward to a brighter future.



## "The Spirit of California"

The spirit of California is BIG. We all do great things. Together we're cleaning up our air and reducing emissions. Because we won't be limited. Living LARGE is what we do.



#### "Money for You"

The Climate Dividend will give Californians money to offset any increases in the cost of electricity caused by emission reductions.

## Focus Group Findings

## Key learnings include:

- **Limited awareness:** None of the participants within this study had any prior awareness of the California Climate Dividend.
- **Connection with dividend:** Consumers are prepared to make the connection with a reward for reducing energy consumption
- **Favorable reaction:** The majority of customers **agreed** with reducing GHG emissions and **reacted favorably** when this was referenced as context for the dividend. Customers are generally pleased with receiving a credit.
- Simplicity: A simple "reason why" often seemed enough to satisfy customers. Consumers want assurances about the source and impact of the credit, but do not need or even want a lot of detail on cap-and-trade or revenue allocation. Customers ultimately need the explanation to be simple, straightforward, and non-technical.
Reactions to the stimuli presented provided the creative development team with clear direction and a strong leaning toward two of the concepts:

## "Footprint" was selected first by all groups

- Brand mark/icon helped customers relate to dividend.
- Add more nature and environmental shots with footprint.

## "Spirit" caught their eye, but needed more explanation

- Use a native animal (bear).
- May be "too far" from topic of dividend.

Based on those reactions and preferences, the decision was made to move forward with "Footprint" as the recommended direction for the purposes of this document. A full creative concept will be developed at a later date.

NOTE: Additional Qualitative Research details are provided in Section 2 and a complete summary is included in the appendix of this document.

# **Recommended Creative Direction**

### California's Footprint Is Changing

Bit by bit, change by change, Californians are making a difference. Emission reductions are happening and it's reflected in California's carbon footprint. It's getting greener as the air is getting cleaner. We're helping Californians become informed and educated that climate change is being addressed and the air is getting cleaner. The California Climate Dividend (California Clean Air Credit\*) is a positive sign of cleaner air—and a confident step in the right direction. It's a fresh step forward.

The idea behind this creative concept is simple: associate the reduction in GHGs to individuals living in and enjoying California.

#### Execution

This umbrella concept is executed visually using the symbol of a footprint. The stylized footprint, made from the shape of the state, is a symbol of the California Climate Dividend. It is integrated into imagery of people enjoying the California landscape. The tone of the copy is motivating and clearly and simply explains that the California Climate Dividend shows California's commitment to improving the air quality of the state for the enjoyment of all its residents.

#### Rationale

- **1.** Provide a positive approach with a solution-oriented focus.
- **2.** Start with the simplest, most basic aspect of the story.
- 3. Encourage customers who want to know more to "self-serve."

## Why This Works

**It's simple:** Californians want straightforward and candid information about the California Climate Dividend. They don't need or even want a lot of detail on cap and trade or revenue allocation. It's enough that it's a symbolic gesture that action is being taken. And customers are satisfied with minimal information.

**It's positive:** Californians agree with reducing greenhouse gas emissions and reacted favorably when it was referenced as context for the California Climate Dividend.

**It's relatable:** The barefoot visual is a familiar part of life for Californians. Whether at the beach, in the backyard, or in the house, the climate allows for laid-back, sock-free days year-round.

**It's believable:** There's no reason to imply a broader purpose of the impact of the program (e.g., implying that it could serve as an incentive for all customers to be more green). Californians like that it stresses the improvements to benefit all Californians.

**It's reassuring:** Californians want reassurances about the source and the impact of the credit. (Revenue generated from the program is paid out to customers; it's not funded from a state budget nor a refund of overcharges; it can help offset any economic impact of the program on prices or rates.)



\*It was discovered during the May 2013 qualitative research that "consideration should be given to the use of the term 'dividend' in describing the credit, given its potential for misunderstanding and its association with investments (and the associated tax exposure, for those familiar with the term in the investment arena). If the name remains unchanged, explanatory text should make significant use of the term 'credit' to telegraph the customer benefit and minimize confusion." (Paul Peterson, King Brown Partners, "Climate Dividend Communications: Summary of Qualitative Research," June 2013.)

In an effort to minimize this potential misunderstanding and to create stronger branding for the California Climate Dividend, a number of name options were presented during the research sessions. "California Clean Air Credit" was most preferred by respondents.

# TACTIC EXAMPLES

The following shows some of the ways this creative direction could be executed in a variety of channels.

## Mass



Print



Print





Outdoor



Transit

## **Energy Statements**

We're taking steps to improve our air. You're getting the credit.

Californians love the outdoor life. But greenhouse gas emissions threaten what we love. As a result of industries working to reduce their emissions, you're receiving this clean air credit on your electric bill. We're helping to make a cleaner California for all to enjoy,one step at a time. Learn more at freshstepforward.com.

On Bill Message - Long Form



customers are receiving a clean air credit. Learn more at freshstepforward.com. CALIFORNIA CLIMATE DIVIDEND

100

On Bill Message – Short Form

We're taking steps to improve our air. You're getting the credit.

As industries work to reduce their greenhouse gas emissions, California electric customers are receiving a clean air credit. Learn more at freshstepforward.com.

CALIFORNIA CLIMATE DIVIDEND

On Bill Message – Short Form Vertical

ard

CALIFORNIA CLIMATE DIVIDEND

#### DRAFT: NOT FOR EXECUTION

brward CALIFORNIA CLIMATE DIVIDEND

We're taking steps to improve our air. And you're getting the credit.

Look for the California Climate Dividend on your statement today.



To learn more about the California Climate Dividend, visit FreshStepForward.com today.

Statement Insert – Front and Back

#### DRAFT: NOT FOR EXECUTION

Greenhouse gas emissions are threatening what we love about California. So, we're doing something about it. Step by step. Neighborhood to neighborhood. Town to town.

This month you're receiving a credit on your monthly bill called the California Climate Dividend. It's as a result of industries working to reduce their emissions.

Together, we're creating a path to a cleaner California. And helping to make a cleaner California for all to enjoy, one step at a time.

tep forward



# Online



Website



#### Email



Callout for use in existing email templates

# Community





Window Cling/Decal

# Section 7 Metrics Benchmarks and measurement

The primary objective of the public outreach program is to inform and educate customers on the California Climate Dividend. This can be broken down into four key objectives:

- Generate awareness
- Promote understanding
- Motivate involvement
- Produce advocacy

These specific objectives are translated into key metrics that can be benchmarked and tracked over time to aid in optimizing the campaign's tactics, messaging, and spend levels. This section is intended to provide guidelines on how to benchmark and measure the program's success. Additionally, general expectations as to the levels of success that might be reached are also provided.

# Measurement and Tracking

A holistic measurement plan that includes a single research tracker along with quantifiable observations (such as campaign performance metrics, social sentiment, calls to the call center, etc.) is recommended to track success and optimize spend against customer objectives across the lifespan of the campaign. Given the semiannual timing of the Climate Dividend, a test pilot is not recommended. The suggested approach is to execute the full implementation plan in Phase I, measure the outcomes, and then refine the plan for Phase II. Each phase should be refined based on the measurement results of the earlier phase.



## Holistic measurement plan

Key to any measurement plan is the identification of fundamental *success* metrics. For the CA Climate Dividend, these success metrics are awareness, understanding, involvement, and advocacy.

In addition to the fundamental success metrics, the measurement plan should also capture *diagnostic* measures to effectively inform the program's evolution. Diagnostic metrics provide vital insights that answer the *where, why, how,* and *when* that contribute to the program's success. These metrics are often the guideposts for refining mix, timing, and messaging.

Below is an example of both success metrics and diagnostic metrics to consider.

	Awareness	Interaction & Understanding	Involvement	Advocacy	
Key Success Metrics	<ul> <li>Self-reported aided awareness</li> <li>Self-reported unaided aware- ness</li> </ul>	Indicators of Under- standing      Self-reported Climate Divi- dend connection to GHG reduc- tion      Self-reported connection to cap and trade  Indicators of Seeking More Information:      Self-reported search for fur- ther information      Email click- through      Banner clicks      Seerch      Site visits	<ul> <li>Self-reported intent to reduce footprint</li> <li>Self-reported action taken to reduce footprint</li> </ul>	<ul> <li>Self-reported</li> <li>advocacy</li> <li>Pass-along tags</li> <li>Sharing of CA Climate Dividend info on social networks</li> </ul>	
Additional Diagnostic Metrics	Self-reported source of awareness	<ul> <li>Self-reported source of under- standing</li> <li>Self-reported timing of under- standing</li> <li>Sentiment</li> <li>Website page views</li> </ul>	<ul> <li>Self-reported motivation for involvement</li> <li>Self-reported barriers to involvement</li> <li>Self-reported beliefs</li> </ul>	Social sentiment	

A thorough measurement plan can account for all channels and communication vehicles as well. While a broad research tracker can provide a holistic view of key metrics across multiple channels, specific observations should be quantified at the channel and vehicle levels. This detail provides the basis for evolving the plan over time.

The following table provides a high-level view of the kinds of data points that can be captured across the recommended channels.

Channel	Vehicle	Primary Research	Quantifiable Observations by Channel Vehicle	
Mass	All		GRPs, TRPs, reach, effective frequency	
Electricity Provider	Bill		URL-specific landing page visits	
	Website		Visits, duration, referrals, page views, etc.	
	Email	Primary research is channel-agnostic,	Opens, click- throughs	
	CSR	metrics at the overall state.	# of calls by nature of call (classify customer questions)	
Digital	Website	<ul> <li>awareness</li> <li>understanding</li> <li>intent</li> </ul>	Visits, duration, referrals, page views, etc.	
	Banner		Traffic, referral sites	
	Search		Traffic, keywords, visit types	
Social			Interactions, social sentiment	
Community			Reach & sentiment	

# **Tracking Vehicles**

# Primary research quarterly tracking study

Many of the success and diagnostic metrics for the program will be self-reported by customers. This is particularly true for measuring objectives against Phases I–III (awareness, understanding, involvement). As such, quarterly tracking of awareness, understanding, and sentiment toward the Climate Dividend is recommended. Primary research is also the most effective means for measuring the total impact of multiple channels.

## Proposed specifications for research tracking

**Collection method** Telephone interviews are recommended to reach a broad spectrum of customer segments. Both land lines and cell lines should be used to minimize demographic skews. However, as with any research collection method, demographic skews will occur. As such, results should be weighted to adequately represent the customer demographic makeup of California.

**Quantity** Conducting interviews at the DMA level will help inform further refinements to the communication plan. At the DMA level, a minimum of 300 interviews is recommended. This supports the ability to read changes in awareness with each Climate Dividend distribution.

**Timing** A quarterly frequency is recommended to coincide with the distribution of the dividend, as well as the point in time most distant from the dividend distribution. This schedule will provide both peak and off-peak levels.

**Key metrics** Some of the key metrics to measure within the tracking study are noted below. This is only intended to be a guideline and does not include all metrics that may be beneficial to include.

- Unaided awareness
- Aided awareness
- Reaction (sentiment)
- Sought more information
- Where information was sought
- Reaction to the additional information source
- Intent to seek more information

#### Mass media reach

Broad outreach should also be measured with standard industry metrics.

- Effective frequency
- Gross rating point (GRP)
- Target rating point (TRP)
- Reach (total households exposed at least once)

## Energy company tracking

Both inbound and outbound communications with the customer's energy provider can also be included in the plan. Tracking with providers should follow the same guidelines for digital and online efforts as noted below. Other data points for measurement include tallying inbound calls regarding the CA Climate Dividend and basic email tracking metrics (opens and click-throughs).

#### Digital and online tracking

Digital metrics should be considered well before campaign launch. If chosen for inclusion in the measurement plan, landing pages and websites need to be appropriately tagged in advance.

#### Website

- Standard metrics should be established (including visits, repeat visitors, duration, page views, and referrals).
- Careful attention should be paid to tagging content on landing pages to ensure a thorough evaluation.
- Measure/monitor traffic to the site through an online analytical tool, such as Google Analytics.

## Banner

• Measure/monitor banner clicks, placements, and referrals.

## Search

- Measure/monitor organic search through online analytical tool.
  - Share of traffic from search
  - Most-used search keywords to drive traffic to site
  - Most-used search keywords to drive traffic to goals on site (if the site has a "goal")
  - Landing pages for the keywords
  - Segment visit types by search vs. referral and/or direct visits

## Social tracking

The recommended plan includes a digital social element designed for optimal "share-ability" where customers can easily share a simple symbol of their support for cleaner air. This provides an opportunity to gain more insights through social-site monitoring. General guidelines for monitoring the social sites include:

- Twitter
  - Incorporate a hashtag into marketing of the dividend (e.g., #DividendCA or #CleanAirCA)
  - Create a specific California Climate Dividend Twitter account
  - o Measure
    - 1. Hashtag mentions
    - 2. Account mentions
    - 3. Retweets
    - 4. Favorites
    - 5. Replies
    - 6. Sentiment
- Facebook
  - Create a Facebook page for the dividend
  - Measure
    - 1. Page likes/dislikes
    - 2. Post likes/dislikes
    - 3. Views
    - 4. Comments
    - 5. Sentiment

It may also be possible to measure positive and negative social buzz with social sentiment measurement tools. However, a sentiment analysis generally requires a large sample of references to be valid and, therefore, may not be able to provide meaningful insight.

## Community-based organizations (local efforts)

Metrics for community-based efforts will vary with the specific tactics employed. Ideally, reach and sentiment are measured through various means, including the following:

- Event attendance
- Event intercept surveys
- Inquiry rates
- Positive press articles
- Frequency of one-on-one interactions with communities

## Earned media

If measuring earned media is included in the final plan, it will be important to understand content analysis (for a qualitative evaluation of what is being said) and source strength (for a

quantitative evaluation of earned-media impressions). Earned media can be measured in a variety of ways, including:

- Total earned-media impressions
- Total media outlets (trade outlets, TV, radio, blogs, online, etc.)
- Press release repost impressions

# Benchmarking: Expectations for Achievable Awareness, Understanding, and Involvement

True benchmarks for the key success metrics (i.e., awareness, understanding, involvement, and advocacy) will be established based on Phase I metrics. However, expectations can be loosely set based on historical campaign launches. This is particularly true for awareness, where industry models exist for forecasting awareness against spend levels. Expectations for interaction, understanding, involvement, and social advocacy are not as easily established. These outcomes are not as predictable and typically show much variation from campaign to campaign.

## Expectations

The CA California Dividend Public Outreach program, supported by both paid and earned media, could generate as much as 40–60% awareness\* *during* the peak periods of dividend distribution. Awareness could dip to around 10–15% during off periods. These awareness assumptions are based on a pulse flighting strategy rather than a continuous-exposure approach.

Understanding, defined as the Climate Dividend's connection to GHG reduction, could potentially reach about half of the awareness level, based on research and observations made during qualitative groups. Once aware, connecting the CA California Dividend to a program that reduces GHGs is a reasonable step for customers. Taking understanding to the level of cap and trade—how it works, how the money is generated, and how it is allocated—is a monumental step for customers; any expectations of understanding at this level should be minimal.

\*Awareness refers to aided awareness only. Awareness is measured at the household level.

	Announce	Remind & Invite	invite & involve	Involve & Report	
Awareness'	40–60% Peak Awareness	40–60% Peak Awareness	40–60% Peak Awareness	40–60% Peak Awareness	
Understanding <sup>†</sup> 15–20%		20–30% 30–45%		30–45%	
Involvement <sup>‡</sup> 1–5%		5–10% 10–15%		1 <b>5–20%</b>	
Advocacy <sup>‡</sup>	<2%	1–5%	1–5%	58%	

<sup>\*</sup>Assumptions for awareness levels include multi-channel execution that includes \$20MM pulse flighting media spend followed by earned media. It also assumes PEAK awareness during CA Climate Dividend distribution.

*<sup>†</sup>Derived from the May 2013 quantitative and qualitative studies.* 

*<sup>‡</sup>Estimates are illustrative and based on data less comparable to the CA Climate Dividend.* 

The previous estimates for understanding, involvement, and advocacy are based on customer response to the May 2013 studies and a few recent industry-related observations. Estimated awareness is based on modeling and other data points of reference. The methodology behind the awareness expectation is provided in greater detail below.

## Arriving at estimated awareness based on broadcast media

For the purpose of creating a general expectation of awareness, a media awareness model was employed. Media awareness models consider hundreds of case histories of media impact on awareness. They require parameters to be set regarding levels of spend, flighting patterns, types of media, and duration. Various scenarios were evaluated for the purposes of establishing some baseline expectations. These expectations were further refined based on customer segments as defined in the Customer Targets section of this report (Section 4).

### Awareness ranges and the impact of media

For benchmarking achievable awareness levels, a straw man media plan was used to generate a baseline. The plan assumes a \$20MM annual spend focused on TV (highest awareness generator) and employs an 8-week pulse flighting strategy. This plan is not intended as a final spend level or media mix recommendation. Its only use is to create a baseline, low-end benchmark.

This approach is capable of generating a 50–60% aided awareness level across California households. With the pulse approach, awareness peaks during credit deployment and then decays considerably thereafter.



# \$20MM ANNUAL SPEND PULSE FLIGHTING (Broadcast Spend Only)

Assumptions: 433 GRPs per week (Y1); 413 GRPs per week (Y2) for 8 weeks prior to credit deployment.

(GRP stands for Gross Rating Point. A standard measure in advertising, it measures advertising impact. It is calculated as a percent of the target market reached multiplied by the exposure frequency. Thus, if you advertise to 30% of the target market and give them four exposures, you would have 120 GRP.)

A comparative spend level deployed as a continuous flight (all year) would typically result in a steady awareness level that would peak after 10 weeks and then remain flat throughout the 2-year duration. At the same spend level of \$20MM per year, the maximum awareness level with the continuous flight is expected to be approximately 30% lower than the pulsing strategy peak awareness levels (35–40%). A higher media spend of \$55MM annually with a pulse flighting approach could generate awareness peaks in the range of 70%.

## The Impact of Earned Media

A significant opportunity exists to generate awareness through earned media. A study conducted in 2011 shows that earned media alone generates a respectable level of awareness and, in combination with paid media, can bolster awareness by as much as 60% over levels achieved with paid media alone.

Earned and Paid Media's Eff in the US, May 2011 % of respondents identifying bra	ect on Brand Awareness
Earned	29%
Brand creative	24%
Paid	24%
Earned/paid	39%
All three	38%
Control 6%	
Note: n=1,800 Source: Synaptic Digital and Kantar Vid Earned & Paid Newsworthy Formats an	eo, "Telling a Story that Scales: d Brand Advertising," June 21, 2011
129197	www.eMarketer.com

The sequence of paid versus earned also impacts awareness. Awareness is maximized when earned media follows paid:

# RESULTS BY SEQUENCE (EARNED AND PAID)

		CONTROL	EARNED + PAID	DELTA
UNAIDED BRAND AWARENESS	PAID FARNED	6%	42%	+36%
	EARNED Þ PAID	6%	37%	+31%

Source: Synaptic Digital and Kantar Video, "Telling a Story that Scales: Earned & Paid Newsworthy Formats and Brand Advertising," June 21, 2011.

	READ BILL	BROAD OUTREACH	HARD TO REACH	TOTAL			
California Customers	25%	62%	13%	100%			
	•	•	•	•			
	EXPECTED PEAK AWARENESS						
	READ BILL	BROAD OUTREACH HARD TO REACH		TOTAL			
Awareness From Broad Outeach & Bill	66%	45%	5%	45%			
Incremental Awareness From Earned	7%	18%	2%	45%			
Total Awareness Among Segment	73%	63%	7%	58%			

## Hitting a Meaningful Mark

A pulse flighting strategy employed eight weeks prior to each dividend distribution would achieve a meaningful result. The \$20MM first-year media budget speculated in this exercise appears sufficient to support a reasonable level of awareness.

Considering the media model, the customer segments, and typical impacts of mass followed by earn, plus the mix of tactics and channels contained within this Strategic Road Map, a conservative goal for awareness would be a maximum awareness level just under 60%. **This is a directional goal and should not be perceived as a forecast.** 

These potential goals are based on the assumption that mass media with a \$20MM pulse flighting approach, supported by other recommended channels, will generate 45% awareness (can be up to 55%). Earned media is assumed to generate an additional 40% lift over mass (can be up to 60%). Earned media is assumed to have less incremental impact (10%) among customers who may also see the dividend on their bill.

# Summary

A holistic measurement plan is recommended to track the success of the program and support program refinement. With each phase, measurement will enable the evolution of the plan and help optimize the overall spend level to gain maximum effectiveness. Key points:

- Primary research is recommended to measure the overall effectiveness of the program. It is also beneficial as a diagnostic tool that can uncover barriers to awareness or understanding.
- Metrics at the channel level provide the needed insight to optimize the mix of channels and tactics against spend and maximum effectiveness in generating awareness and understanding.

Benchmarks for success cannot be established until Phase I deployment and measurement. However, with the recommended plans outlined in this document, it is reasonable to reach awareness levels in the 40–60% range during peak dividend deployment times.

# Section 8 Administration *Putting the plan in place*

# Program management and dividend delivery options

# Program Management Approach

Defining the right program architecture and organization to achieve the goals

When considering potential implementation models for the CA Climate Dividend program, programs currently employed by both government and private entities were studied. The goal was to find administration models for similar outreach marketing strategies.

## Government implementations of statewide awareness campaigns

As part of the 2010 U.S. Patient Protection and Affordable Care Act (PPACA), state agencies have been charged with creating awareness campaigns to educate and engage citizens in a health insurance exchange through which individuals and small businesses can shop for health insurance plans. Two recent white papers<sup>1,2</sup> provide insight and guidance in educating a population on such a program. Based on the marketing outreach implementation approaches taken by the states of Massachusetts and Maryland, these white papers cover many aspects of their implementation—strategic platforms, segmentation, media purchases, and partnerships.

These implementation approaches are relevant to the CA Climate Dividend program, as they each used a central campaign entity to develop and present a unifying message tailored to specific audiences. In addition, both statewide programs utilized local clubs and/or organizations, managed and coordinated through that central entity, to help create genuine relevance with their messages.

For each state's effort, having a central agency create an ongoing mass campaign with unifying messaging that humanizes and depoliticizes it was very effective. However, it needed to be implemented at a local level in a way that would encourage citizens to pay attention and take action. Examples of how the Massachusetts education program created relevancy include:

- Fan testimonials shown on the Fenway Park Jumbotron, in partnership with the Boston Red Sox to connect and engage a largely uninsured segment—young males
- Delivery of informational flyers, in partnership with the Massachusetts Department of Revenue, in advance of the tax penalty deadline to alert customers of the tax break while they are preparing their tax returns

These two campaigns were considered successful in their ability to create awareness of the new program and an impetus to act in customers. The key takeaway for the CA Climate Dividend program is that a central agency who managed an overarching strategic awareness campaign supported by local entities for a more targeted, relevant messaging was successful and impactful for both of these state-level efforts.

## Private-company marketing outreach campaigns

Often, a company's business model, goals, and size are the driving factors in determining the best plan for implementation. We therefore looked to the private sector to gain additional insight into viable administration models.

For an organization that needs both awareness and localized relevance, it is most common to use both a central and distributed approach for implementation. That is, marketing strategy and master messaging are handled through a central resource, while more localized activities are decentralized to business units where the interaction with the customer happens, but the organization has the capability to act on a coordinated basis.<sup>3</sup> This model allows for a consistent approach with strategic messaging, creative, analytics, and measurement, while simultaneously creating flexibility for the team that is closest to the customer. The corporate message remains consistent, while customer touchpoints create increased satisfaction and engagement. This level of local and immediate action creates unique opportunities to turn awareness into engagement.

This model is typically implemented in private industry by organizations that have many different locations and, therefore, many different types of customers. By utilizing this franchise-type model, the organizations are able to create a consistent awareness campaign while allowing the field locations to drive relevant messaging.

After a review of successful implementation models, the next step was to understand the feasibility and potential ability for a third-party administrator to manage and implement the recommended Climate Dividend outreach campaigns.

## Viability of using only a third-party administrator

The benefits and feasibility of utilizing a third-party administrator to implement the CA Climate Dividend education program were considered relative to the requirements dictated by the strategy—an overarching awareness campaign supported through local/regional relevance. This strategy will encourage customers to engage with and investigate the Climate Dividend initiative. This awareness and interaction will create a customer response that will need to be prepared for and managed successfully.

Given these objectives, and understanding that the management of this customer response will be critical to awareness and satisfaction, it will be very difficult for an external administrator to implement and support certain aspects in an effective and efficient manner. For example:

- Management and maintenance of CA Climate Dividend content on electricity provider websites
- Training of call center representatives
- Implementation and management of bill inserts

It is possible that the added costs for a central administrator to support these localized and specialized requirements would reduce available outreach budget, or even reduce the amount delivered back to customers, thereby reducing the overall impact and satisfaction with the program.

Finally, administering the program through the energy providers adds the benefit of expanding the customer opportunity. That is, when customers engage to learn more, the opportunity exists to extend the conversation with an introduction to energy-efficiency and demand response programs.

## Strategic recommendation

The strategic recommendation for implementation and administration of the CA Climate Dividend program builds upon the successes detailed in the third-party research above combined with the experience and expertise of the individual energy providers. It is recommended to have one statewide administrating body, such as an outreach agency, reporting to the PUC or one of the energy providers, who manages the overarching strategic messaging, branding, and awareness campaigns while enabling each energy provider to support it with localized messaging relevant to its specific customers.



This recommendation will provide the benefit of a consistent awareness message (mass media, website development) at the statewide level while allowing for the implementation of localmarketing tactics (including program integration) right where the interaction with the customer happens.

The advantages of this approach range from managing the awareness message from a single centralized administrator to building awareness with consistent creative messaging and the financial cost efficiencies of larger media buys. Additionally, the advantage of the local influence is connection to a local strategy, including customer relevance (segmentation and messaging) driven through localized media buys, social media interactions, and literature.

As an example of how a central message can be managed centrally but distributed locally, a toolkit has been created to set the messaging standards, maximizing statewide awareness. This approach will enhance the uniformity of the message and eliminate customer confusion arising from multiple executions of the overarching strategy. The California Climate Dividend Public Outreach Program Kit is available for download separately from this report at www.CaliforniaClimateDividend.com.

# Delivering the CA Climate Dividend

When the CPUC determined the objectives for the delivery of the CA Climate Dividend, they outlined seven specific goals:

- 1. Preserve the carbon price signal.
- 2. Prevent economic leakage. (Leakage, as defined by AB 32, is the reduction in emissions within the state that is offset by an increase in emissions outside the state.)
- 3. Distribute revenues equitably, recognizing the public asset nature of the atmospheric carbon sink.
- 4. Reduce adverse impacts on low-income households.
- 5. Correct for market failures that lead to underinvestment in carbon-mitigation activities and technologies.
- 6. Maintain competitive neutrality across load-serving entities.
- 7. Achieve administrative simplicity and understandability.

In addition to the goals above is the realization that the Climate Dividend will, in all likelihood, be the signal that creates initial customer awareness of the environmental efforts of the state and a desire to learn more for many Californians. Therefore, it is important to understand the potential impact of a variety of delivery methods to ensure the selected method will yield the required outcome.

The recommended delivery method was determined through a two-step process:

- First, review existing research to understand what has been done for other utilities and/or how it would work via specific methods.
- Second, conduct primary customer research to understand engagement and perception of options.

A specific set of delivery methods was presented in research with the goal of understanding the advantages, disadvantages, and customer perceptions of each, including the following:

- Credit on electricity bill
- Gift card (Starbucks, Amazon, Visa, Target, etc.)
- Rebate checks
- Donation to a charity
- Coupons/gift certificates for "green" home products (CFL lightbulbs, cleaning supplies, etc.)
- Reduction in taxable income

In the end, a combination of the two research platforms was utilized to gather the required data and inform a final plan.

## Information from third-party research

**1. Reduction in taxable income** Without any current examples of energy providers in the U.S. returning proceeds from cap-and-trade programs, focus turned to finding several countries delivering, or planning to deliver, the proceeds to customers. In all of these programs, the goal was to offset price increases from businesses paying higher costs. However, there are not currently any reports associated with benefits or customer perception, likely due to the limited time these programs have been in existence.

**Province of British Columbia:** Every dollar generated by the revenue-neutral carbon tax is returned to British Columbians through tax reductions. For the 2011/2012 fiscal year, tax reductions were expected to return \$192 million more to taxpayers than the amount of carbon tax paid.

**France:** The French government was considering a lump-sum tax credit on income, but the proposal failed to be approved by the government.

**Germany:** While the German government has not yet initiated the revenue dividend portion of the European Union Emissions Trading Systems (EU-ETS), there are white papers theorizing that it will take the form of an income tax reduction.

**Australia:** As part of its clean energy future plan, the Australian government will be issuing tax cuts and increases in citizen pensions to offset the expected economic impact.

**2. Bill credits** Delivering a refund or rebate from utilities is commonly done via bill credits. There are numerous examples, including several in California. Some of the positive and negative aspects of the customer experience are:

## Advantages:

- Timely payback for any inconvenience experienced
- Preservation of price signal to customers
- Limited additional environment impact (not printing and sending a separate piece of mail)

## Disadvantages:

• Limited awareness impact due to the attention paid to line items in bills

**3. Rebate checks** Rebate checks are also very common among utilities to incent desired behavior or return savings to customers. Customer advantages and disadvantages include:

### Advantages:

- Tangible form of appreciation
- Increased awareness
- Additional touchpoint providing opportunity to explain program

#### Disadvantages:

- Lack of timeliness
- Reduction in total payouts due to cost of administering and delivering
- Lost checks in mail
- Customers forgetting to deposit checks

**4. Pre-paid cards** Pre-paid cards are increasing in popularity and are becoming very common in the everyday lives of customers. A few of the documented advantages and disadvantages:

#### Advantages:

- Increased consumer willingness to share positive feedback with their peers and social networks
- Additional touchpoints for pushing messages/communications

## Disadvantages:

- Difficulty in spending the exact amount of the card, creating unspent revenue left on the card
- Perception as credit card offers when received in the mail (may be ignored)

## Information from primary customer research

During the qualitative focus group discussed in previous sections, customers were asked for their perceptions of the potential delivery methods. As a starting point, participants naturally expected the credit to appear on their bill and reduce the amount due to the energy provider. When other delivery methods were introduced, they envisioned more government waste in creating the gift cards or checks. They were also concerned that these alternative delivery methods would actually do more harm to the environment (creating plastic or more paper waste), which would be contrary to the goal of the program. Many respondents seemed open to a choice between accepting the credit and donating to a green charity.

This motivation for donating or directing the credit to help combat global warming was also evident in the quantitative study. A few of the open-ended, unaided comments from participants include:

- "If [companies] are using solar energy or any other renewable energy, they should be given an incentive instead of customers being given the incentive."
- "The money could be better spent to eliminate the problem and not to just give people credit. It should be used to eliminate global warming."

## **Delivery method scoring process**

Based upon the research gathered, the grid below has been created in an attempt to rank-order the options available. Within the grid, a specific delivery method option has been given a score from 1 (best) to 5 (worst) against each of the criteria identified. For example, bill credit was given a 1 for "Environmental Impact From Delivery" due to its ability to be delivered with no further printing, additional paper, or extra delivery process. Conversely, rebate checks were given a 5 because of the nature of printing and mailing checks to every customer in California.

	Cost Effective Implementation	Impact to Program Awareness	Environmental Impact From Delivery	Timeliness of Tactic	Assurance of Delivery	Additional Touchpoint for Program Explanation	Final Soore
Bill Credit	1	4	1	1	1	3	11
Reduction of Taxable Income	5	5	2	5	2	5	24
Rebate Checks	3	2	5	4	4	2	20
Pre-Pald Cards	4	1	4	3	3	1	16
Donation to Charity	2	3	3	2	5	4	19

## Strategic recommendation

Based upon research performed and input from customers, the bill credit is the clear winner for the recommended delivery method. While the pre-paid card ranked second due to its impact and flexibility, it is not recommended due to its high cost, environmental impact and redemption barrier. In addition, the bill credit solution aligns with the strategic positioning of cleaner air, while limiting the impact on the environment.



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All reference sources are available in the appendix.

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# Appendix 3: California Climate Dividend Public Outreach Program Strategic Road Map Section 9: Appendix

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# Strategic Road Map Images



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# Quantitative Research Results

### Methodology

Findings in this report are based on a survey conducted by JD Franz Research, Inc. Results are based on 1,196 California adult residents,\* including 650 interviewed on land line telephones and 546 interviewed on cell phones. 103 interviews were conducted in Spanish. (Survey questionnaire follows.)

Interviews took an average of 12 minutes to complete. Interviewing took place on weekday nights and weekends May 2–8, 2013. Land line and cell phone numbers were called as many as four times to increase the likelihood of reaching eligible respondents. Once a landline was reached, an adult respondent (age 18 or older) was randomly chosen for interviewing using the "last birthday method" to avoid biases in age and gender. Once a cell phone was reached, it was verified that the respondent was age 18 or older and not driving.

Results were weighted on demographics to accurately represent the population of the state of California.

\*The initial total was 1,200. However, four responses were deleted after it was determined the respondents were younger than 18 years of age.

### Overall results

- 67% of respondents acknowledge that some action is required to help stop global warming.
- 69% say there is a link between global warming and energy usage.
- 78% have heard of greenhouse gases (GHGs).
  - Of those who have heard of GHGs:
    - 53% believe GHGs are responsible for global warming.
    - 68% believe they contribute to GHG emissions.
- The Climate Dividend is a highly favored program. 57% either strongly or somewhat favor the program. Only 23% oppose and 20% are undecided.
- However, most (61%) say they'll have to pay more for energy because of this program.
- But this is California, where the majority (56%) says they are **willing** to pay more if it means stopping global warming.
- 39% say the Climate Dividend will benefit them financially; by comparison, 68% say it will encourage them to save energy.
- Reaction to seeing the credit on their bill (no description of the Climate Dividend given):

Climate	Positive	34%
Dividend	Want to know more about it	15%
reaction	Try and find out more about it	8%
	Be suspicious of it or not trust it	8%
	Negative	4%
	Ignore it	3%
	Shocked or surprised	7%
	Curious or confused	2%
	Other	2%
	Don't know	20%

(Multiple-select question; percentages will not add to 100%.)

- A majority of respondents either have something positive to say about the Climate Dividend or would like to know more about it.
- 10% of respondents say they would be suspicious of the Climate Dividend.
- Of those that wanted to know more information about the Climate Dividend:

- Almost all (94%) of the respondents would look for more information about the Climate Dividend on their bill.
- 77% would look on their energy provider's website.
- 69% would look on the CPUC website.
- 64% would call their energy provider.
- 61% would ask a friend or family member.

### Electric bill readership

- When asked about reading their electric bill:
  - 25% read all of it.
  - 25% read some of it.
  - 21% glance through it.
  - 21% do not look at it at all.
  - 8% don't receive one or don't know.
- The "Read all" group is more likely than the "Not look" group to **strongly** favor the Climate Dividend (25% vs. 14%).

#### **Regions<sup>†</sup>**

 Respondents who live in the Bay Area are more likely than other regions to think that global warming is a serious problem and to believe there is a link between individual energy use and global warming:

		Total	Bay Area (a)	Central & Southern Farm (b)	Central Valley (c)	Los Angeles (d)	North & Mountain (e)	Southern California (f)
	n=	1196	237	172	90	306	79	313
Please tell me which one best	Serious problem, action needed	34%	47%bcdef	24%	25%	36%b	27%	33%b
view [on global warming]	Could be a serious problem, some action	32%	32%	39%f	30%	31%	29%	29%
	More research before action	21%	14%	22%a	27%a	22%a	31%a	20%a
	It is not a problem, no action	11%	6%	10%	16%a	10%	7%	15%a

(Results are based on two-sided tests with significance level of 95%. For each significant pair, the key of the category with the smaller column proportion appears under the category with the larger column proportion.)

# • Respondents in the North & Mountain area are less likely to favor the Climate Dividend program.

		Total	Bay Area (a)	Central & Southern Farm (b)	Central Valley (c)	Los Angeles (d)	North & Mountain (e)	Southern California (f)
	n=	1196	237	172	90	306	79	313
Would you say you strongly favor, somewhat	Favor	57%	64%e	56%e	55%e	58%e	38%	57%e
favor, somewhat oppose	Oppose	23%	19%	25%	28%d	17%	38%abd	27%ad
or strongly oppose this Climate Dividend credit?	Don't know	20%	17%	19%	18%	25%af	24%f	16%

(Results are based on two-sided tests with significance level of 95%. For each significant pair, the key of the category with the smaller column proportion appears under the category with the larger column proportion.)

<sup>†</sup>Regions were defined from the CDSS/DAPB study.

#### Green vs. Anti-Green

- Respondents were designated "Green" if they **agreed** with ALL of the following, while those who **disagreed** with ALL of the statements were designated "Anti-Green":
  - Action is currently needed to help combat global warming.
  - There is a link between energy use and global warming.
  - I am willing to pay more if it means reducing global warming.
- The "Green" group or segment makes up 38% of all respondents.
  - They approve of the Climate Dividend program (75%).
  - 49% say the dividend will benefit them financially.
  - 84% say that receiving the climate dividend will encourage them to save energy.
  - They are more likely to live in the Bay Area and in Los Angeles.
- The 'Anti-Green' segment makes up 13% of all respondents.
  - They greatly disapprove of the Climate Dividend (64%).
  - 80% say the Climate Dividend will not benefit them financially.
  - Only 23% say that receiving the Climate Dividend will encourage them to save energy.
- Respondents not defined as "Green" or "Anti-Green" were categorized as "All Others."
  - This group's behaviors mimic those of the total California population with two exceptions:
    - They are more likely to say that more research is needed before action should be taken to combat global warming.



• They are less willing to pay more if it means reducing global warming.

(Either strongly favor or somewhat favor)

# Favor vs. oppose the Climate Dividend

- 79% of those in favor of the credit think that some action is currently needed to stop global warming, compared to 40% of those who oppose the Climate Dividend.
- 81% of those in favor think there is a link between individual energy use and global warming. Only 46% of those who oppose think there is a link.

•

- Those who favor the dividend are slightly more likely to read their energy bills: 53% vs. 45%.
- Those who favor the Climate Dividend skew:
  - Higher for all minority groups
  - o Female
  - Age <44
  - o Renters
  - Bay Area and Los Angeles regions
  - Those who oppose the Climate Dividend skew:
    - Caucasian
    - o Male
    - Age 55+
    - Higher income (for those who strongly oppose)
    - Higher education (for those who strongly oppose)
    - o Homeowners
    - North & Mountain region
    - o Radio listeners

Demographics	Favor Dividend (a)	Oppose Dividend (b)	Don't know (c)
n=	676	278	242
<u>Age</u>			
18-34	37%	33%	33%
35-54	42%b	34%	36%
55+	21%	32%a	31%a
<u>Gender</u>			
Male	48%c	60%ac	39%
Female	52%b	40%	61%ab
<u>Ethnicity</u>			
African-American	7%b	2%	3%
Asian or Asian-American	14%b	5%	15%b
Caucasian	42%	64%ac	43%
Hispanic	28%b	19%	32%b
Other	9%	10%	6%

(Results are based on two-sided tests with significance level of 95%. For each significant pair, the key of the category with the smaller column proportion appears under the category with the larger column proportion.)

#### Reasons for opposing the Climate Dividend

The reasons for not supporting the Climate Dividend were broken into five main groups: • Not a real solution or won't solve the problem

- $\circ$  "It does not seem to be the real possible solution. It does not make any sense to me."
- "It is inefficient. I think it is useless."
- "I don't really think that it is going to solve the problem. I think they are going to just think that they are going to solve it, but it is not."

#### • Would end up paying more in the long run

- "I strongly oppose cap and trade because it increases the cost of doing business which is passed onto the customers, and it is a tax."
- "The price would go up, and we would have to pay more."
- "They will just pass the burden to consumers."
- Need more information

- "I have very little information on it, because the term itself seems deceptively vague."
- "I would like to read more about it to know what it is about."
- "I really have to fully see the details before I will approve or disapprove."
- Not the government's place or don't trust the government
  - "I oppose anything that the government utility company does because I don't trust them."
  - "It is more government control. It would be difficult for families. It is too much government control."
  - "I don't think it is the government's job."
- No such thing as global warming
  - "Everything that is going in the atmosphere is God's doing."
  - "I think the global warming goes up and down. It has nothing to do with people. That why I would oppose it."
  - "I do not believe in global warming and the greenhouse gas is a joke."

### **Reasons for <u>favoring</u> the Climate Dividend**

Among those in favor of the Climate Dividend, the top reasons for support include:

- The money from the credit is good/will help me
  - "It is always good to have some type of credit."
  - "It is going to be reducing my monthly bill."
  - "It will lower my bill. If it will actually help the environment and lower my bill, I will favor it."
- It's good for the environment (air quality, GHGs, global warming)
  - o "It sounds like it would be beneficial to the environment."
  - $\circ$  ~ "It will help the environment and the people."
  - $\circ$  "It would reduce greenhouse gases and global warming."
- I want businesses to reduce their energy usage
  - "It would force the businesses to initiate better usage of the energy."
  - "There is a responsibility on the part of all the businesses."
  - "It advocate[s] less pollution for corporations and businesses."
- Generally like the idea, but I need to do more research
  - $\circ$  "It is a good idea, and that is why I am in favor. I need to research about it."
  - $\circ$  "It sounds like a good program, but I need more information."
  - "It sounds something very positive, but I need to know more about it."
- Favor the dividend, but cautious about potential price increases
  - "The restriction may contribute to more fines or other costs, which will make it harder for businesses."
  - "The credit is good because they are taking steps to reducing greenhouse gases, but it would be passed on to the consumer."
  - "I somewhat approve it. The reason is the fact that [businesses] might increase the price of their products and services in order to deal with this credit."

# Quantitative Research Questionnaire

#### CONTACTING THE TARGET

Hello, I'm [Your name here] calling from [Research Company]. We are # 1a) conducting a brief survey among California residents about their opinions on the environment and recent policies the state of California has implemented about the environment. This is not a sales call; we are calling for research purposes only. [ASK IF CELL PHONE SAMPLE, ELSE SKIP TO Q.1e] 1b) Did I reach you on a cell phone? [S] Yes......[CONTINUE] 1 No......[SKIP TO 0.1e] 2 # Are you driving a vehicle at the moment? 1c) [S] Yes......[CONTINUE] 1 No......[SKIP TO Q.1e] 2 # 1d) When would be a better time to reach you? [OBTAIN AND RECORD CALLBACK TIME AND NEW NUMBER (IF NECESSARY)] **SCREENERS** # 1e) Do you or any member of your household work for the California Public Utilities Commission, or the Air Resources Board? [S] Yes ......[TERMINATE] 1 No .....[CONTINUE] 2 [ASK ALL LANDLINE SAMPLE, ELSE SKIP TO Q.2] # 1a) In order to determine who to interview, could you tell me, of the people who currently live in your household who are 18 or older, who will have the next birthday? Another resident......[CONTINUE] 2 1h) Are they available to speak with me? # Yes......[REPEAT INTRO THEN CONTINUE] 1 

Don't Know/Refused..... [TERMINATE] 3

## **GLOBAL WARMING AND GHG**

#

2) First I would like to ask, have you ever heard of global warming?

Yes	
No	2
(DO NOT READ) Don't Know	
(DO NOT READ) Refused	

[ASK IF Q.2 = 1, ELSE SKIP TO Q.3]

[S]

# 2a) Now I am going to read you a list of four statements about global warming. Please tell me which one best describes your view.

[S]		
	It is a serious problem and immediate action is necessary	1
	It could be a serious problem, and we should take some action now	2
	More research is needed before action is taken	3
	It is not a problem and does not require any action	4
	(DO NOT READ) Don't Know/No opinion	98
	(DO NOT READ) Refused	99

- # 2b) Do you believe there is a link between global warming and individual energy usage?
  - [S]

Voc	1
1 C5	····· 1
NO	Z
(DO NOT READ) Don't Know	98
(DO NOT READ) Refused	99

#

#

2c) Would you be willing to pay more for energy, goods and services if it means reducing the impact of global warming?

[S]		
	Yes	. 1
	No	2
	(DO NOT READ) Don't Know	98
	(DO NOT READ) Refused	99

3) Next, have you ever heard of Greenhouse Gases?

[S]	
	Yes 1
	No
	(DO NOT READ) Don't Know
	(DO NOT READ) Refused
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[ASK IF C #	).3 = 3a)	1, ELSE SKIP TO ENERGY BILL TEXT] Do you believe that Greenhouse Gases create air pollution?
		[S] Yes
#	3b)	Do you believe that Greenhouse Gases are responsible for global warming?
		[S] Yes
#	3c)	Do you believe that Greenhouse Gases are something that you contribute to?
		[S] Yes
[ENERGY	BILL	TEXT] Next, I would like to ask you about your energy bill.
#	4)	When you receive your energy bill, do you usually read all of it, read some of it, glance through it or not look at it at all?
		[S] Read all of it
DIVIDEN	ND PE	RCEPTION
[ASK IF Q #	2.4 = 5)	<ul> <li>(1,2,3)]</li> <li>What would your reaction be if you were to see a credit on your energy bill labeled 'Climate Dividend'?</li> <li>[DO NOT READ LIST]</li> </ul>
		[M] Want to know more about it

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(DO NOT READ) Don't know	98
Other (Record answer)	5
Be suspicious of it/not trust it	4
	1
Ignore it	
Try to find out more about it (Call energy company, visit website)	2
Want to know more about it	1
-	

		(DO NOT READ) Refused99
[CLIMATE	DIVID	END TEXT] Now I'm going to read you a description of this Climate Dividend: Under a new state program, every residential energy customer in California will receive a credit called a 'Climate Dividend.' This program limits how much Greenhouse Gas a business can produce and allows businesses to sell credits to other businesses that produce less than their limit. Revenue made by energy companies from this program will be given to customers on their bill in the form of a Climate Dividend. [READ TWICE IF NEEDED, IF RESPONDENT IS STILL CONFUSED THEN MARK '97']
#	6)	Would you say you strongly favor, somewhat favor, somewhat oppose or strongly oppose this Climate Dividend credit?
		[S]Strongly favor1Somewhat favor2Somewhat oppose3Strongly oppose4(DO NOT READ) Respondent does not understand[SKIP TO Q.8] 97(DO NOT READ) Don't Know/No opinion98(DO NOT READ) Refused99
#	[ASK ] 6a)	IF Q.6 != 98,99] Why do you [PIPE RESPONSE FROM Q.6] the Climate Dividend credit? [PROBE FOR CLARITY AND SPECIFICS] [PROBE FOR OTHER REASONS: Why else?] [RECORD VERBATIM]
#	6b)	Do you believe that, as a result of this new policy, you will pay more for energy, goods and services?
		[S] Yes
#	6d)	Do you believe the Climate Dividend credit will benefit you financially?
		[S] Yes
#	6f)	Do you believe that receiving the Climate Dividend credit will encourage you to work with others to reduce global warming?
		[S] Yes1 No2

#

#

([	DO NO	T READ)	Don't Know	98
(Ľ	DO NO	T READ)	Refused	99

Do you believe that receiving the Climate Dividend credit will encourage 6g) you to save energy?

[S]	
Yes	
No	2
(DO NOT READ) Don't Know	
(DO NOT READ) Refused	

#### [ASK IF Q.5 = 1,2]7)

Earlier you indicated you would try and find out more information about the Climate Dividend credit. I would like to know how you would find out more information about this Climate Dividend. Please tell me 'Yes' or 'No' for each of the following statements. Would you [INSERT STATEMENT]? Yes or no?

(REPEAT 'Yes or No' AS NECESSARY)

[EXAMPLE OF ON-SCREEN DISPLAY] [ROTATE STATEMENTS]

	[5]
Yes	1
No	
(DO NOT READ) Don't Know	
(DO NOT READ) Refused	

- 7a) Visit your energy company's website #
- # 7b) Visit the California Public Utility Commissions' website
- # 7c) Call your energy company
- # 7d) Look on your energy bill
- # 7e) Ask a friend or family

#

Has your household participated in any programs offered by your energy 8) company to help customers reduce their energy usage? These can be programs such as rebates for energy-efficient products, energy audits, tools to help customers understand how to save energy, or donations to carbon footprint-reduction programs. [C]

	[3]
Yes	1
No	2
(DO NOT READ) Don't Know	
(DO NOT READ) Refused	

#### MEDIA HABITS

- #
- 14) Now we would like to understand how much television, including cable, you tend to watch over a typical 7-day period. Would you say you watch ...?

# **Section 9: Appendix**

[C]

	Less than 1 hour       1         1 to 5 hours       2         6 to 10 hours       3         11 to 15 hours       4         15 to 20 hours       5         20 or more hours       6         (DO NOT READ) Don't Know       98         (DO NOT READ) Refused       99
#	<ul> <li>[ASK IF Q.14 = 3-6]</li> <li>14a) Now I'm going to read you a set of statements about the number of commercials you see when watching television. Please indicate which best describes your viewing of commercials.</li> <li>[READ LIST]</li> </ul>
	[S]
	I vatch television with commercials but rarely pay attention to
	I watch television with commercials but only pay attention to the commercials
	that interest me
	commercials
#	15) Now we would like to understand how much radio you tend to listen to over a typical 7-day period. Would you say you listen
	[S]
	Less than 1 hour1
	1 to 5 hours
	11 to 15 hours
	15 to 20 hours5
	20 or more hours
	(DO NOT READ) DOITT KNOW
#	<ol> <li>Now we would like to understand your Internet usage over a typical 7- day period.</li> </ol>
	Would you say you use the Internet?
	[5] [S]
	1 to 5 hours
	6 to 10 hours
	11 to 15 hours
	20 or more hours
	(DO NOT READ) Don't Know
	(DO NOT READ) Refused

#### DEMOGRAPHICS AND PHONE USAGE

Now just a few questions for statistical purposes only.

# How many people, including yourself, live in your household? 17) (ENTER EXACT NUMBER 0 - 97; 98 = DK; 99 = REF. DO NOT ACCEPT A RANGE.) Γ 1 [ASK IF Q.17>1] 17a) How many, including yourself, are adults, age 18 and older? # (ENTER EXACT NUMBER 0 - 97; 98 = DK; 99 = REF. DO NOT ACCEPT A RANGE.) ٦ [ASK ALL LANDLINE SAMPLE] 18) Now thinking about your telephone use... Do you have a working cell phone? # [S] Yes, have cell phone ......1 [ASK IF Q.17>1 AND Q.18 !=1] 18a) Does anyone in your household have a working cell phone? # [S] Yes, someone in household has cell phone.....1 [ASK ALL CELL PHONE SAMPLE] # 18b) Now thinking about your telephone use... Is there at least one telephone INSIDE your home that is currently working and is not a cell phone? [S] Yes home telephone ......1 [ASK IF DUAL AND SINGLE-PERSON HOUSEHOLD ((Q.18=1 OR Q.18b=1) AND Q.17=1)] 18c) Of all the telephone calls that you receive, do you get [READ AND RANDOMIZE OPTIONS 1 # [S] All or almost all calls on a cell phone .....1 

all the telephone calls that your household receives, are [READ AND RANDOMIZE OPTIONS 1 AND 3—KEEP 2 ALWAYS IN THE MIDDLE]?

		[S]
		All or almost all calls on a cell phone
		All or almost all calls on a regular home phone
		(DO NOT READ) Don't know
		(DO NOT READ) Refused
#	19)	(DO NOT ASK – RECORD BY OBSERVATION)
		[S]
		Male1 Female
#	20)	In what year were you born?
		[S]
		(ENTER EXACT YEAR 0098 = DK; 0099 = REFUSE )
		[]
#	21)	Do you own, rent or lease your home?
		[S]
		Own1
		Lease
		(DO NOT READ) Don't know
		(DO NOT READ) Refused
		[ASK IF Q.21 = 2]
	#	22)Do you pay your electricity and/or gas bill yourself, or is it included as a part of your rent?
		[S]
		Pay separately1
		(DO NOT READ) Don't know
		(DO NOT READ) Refused
#	23)	What was the last grade or level of school you completed?
		[ONET READ EIST IT NECESSART]
		[S]
		Graduated high school
		Some college
		Two-year degree/Trade or Technical degree
		Post graduate work or degree (Master, PhD, law degree)
		(DO NOT READ) Don't know
		(DO NOT READ) Refused
#	24)	Do you consider yourself to be? (READ LIST)
		[S]
		Atrican or Atrican-American1 Section 9: Appendix

Asian or Asian-American	2
Caucasian	3
Hispanic or Latino	4
Multi-ethnic	5
Or something else (and what would that be?)	6
Prefer not to answer	98
(DO NOT READ) Refused	99

#

#

25) For statistical purposes only, please tell me which of the following best represents your household's total annual income before taxes. (READ LIST)

. 1
. 2
. 3
.4
. 5
. 6
. 7
98
99

26) What is the Zip Code where you live?

(ENTER 5-DIGIT ZIP: 99998 = DK; 99999 = REFUSE ) [\_\_\_\_\_]

#### # CLOSE

Those are all the questions I have for you. [THANK RESPONDENT]

# Qualitative Research Results

To inform the development of the California Climate Dividend Public Outreach Program communications, Targetbase commissioned King Brown Partners to conduct primary research among residential customers across the state in June 2013. The summarized findings that follow are taken from "Climate Dividend Communications: Summary of Qualitative Research," prepared by Paul Peterson of KBP.

# Approach

**Objectives** The overall purpose of this research was to inform development of a communications approach and specific messaging around the Climate Dividend to residential customers.

Specific objectives included the following:

- Understand current awareness (if any) and perceptions of the program
- Explore comprehension and perceived relevance of the program (based on a written description)
- Identify perceived benefits of the program, anticipated actions taken as a result, etc.
- Explore receptivity, relevance and comprehension of a number of conceptual messages for the program

**Methodology** A total of 6 focus group discussions were completed among residential customers in three markets, as follows:

- 2 groups in San Diego
- 2 groups in Riverside
- 2 groups in Sunnyvale

Respondents were segmented into higher and lower income segments within each market. Participants were screened to meet the following criteria:

- Responsible for household decisions about their utility provider
- Mix of genders, ethnicities, household size
- Customers of SDG&E, SCE, PG&E or local/regional alternatives (e.g., Colton Electric, City of Riverside, Moreno Valley Electric, City of Corona, Silicon Valley Power, City of Palo Alto)

#### Key findings

- Awareness of the California Climate Dividend or of the state's cap-and-trade program was non-existent among this set of customers.
- When queried, most initially assumed the program to be an incentive for residential customers to reduce their energy consumption. Their interpretation of a series of brief descriptive sentences tended to reinforce this misperception.
- More detailed descriptors of the program consistently raised additional questions and heightened skepticism among most customers who admitted to being predisposed to distrusting their utility providers.
- Most assumed there to be "a catch" in the program—noting that it was highly suspect that they would be getting "money for doing nothing" via the dividend.
- Participants indicated that they were likely to take note of the dividend when it appeared on their bill/statement. The degree of follow-up investigation varied according to the individual predilections of each customer, although all indicated a desire for at least some basic explanation of what the credit was and why they were receiving it.
- As well, many wanted to know whether this was a temporary credit and whether they could do anything to influence the actual amount of their household credit.

- Overall, respondents were in almost universal agreement that simple, straightforward and candid explanations of the program were preferred.
- Participant-generated articulations of the program in their own words typically included the following:
  - Specification of the credit to start (specific dollar amount, appears as a credit on your bill, every household gets the same credit, every six months)
  - A brief statement of purpose and context (as part of a program to reduce greenhouse gases, targeting industries to reduce their emissions, helping control climate change)
  - Assurances about the source and impact of the credit (revenue generated from the program is paid out to customers, not funded from state budget, not a refund of overcharges, can help offset any economic impact of the program on prices or rates)

### Conclusions and implications

- Residential customers are likely to react to the Climate Dividend program in a variety of ways, although most are accepting with only minimal curiosity.
- Most customers indicate that the inclusion of a credit on their bill would be a pleasant surprise and generally welcome, raising questions only about why it appeared and whether it was anything more than a one-time credit.
- The program itself is not without controversy and is likely to have its detractors, particularly among those customers who are concerned about increased bureaucracy, the potential for abuse, and an unwelcome economic impact (driving business to relocate outside of California and/or increasing costs/rates for consumers in the state).
- Detailed explanation of the program, while necessary and appropriate for those desiring more information, only raises questions and concerns among the majority of customers.
- Direct, simple and honest communications that reference the reason for, and the timing of, the credit suffice for the majority of customers to assuage any concerns and provide enough context to answer their (minimal) questions.
- Acceptance and appreciation of the Climate Dividend program is increased when the program is depicted as on one of a series of programs designed to improve energy-efficiency across California.
- In this context, customers react very favorably to the visual concepts emphasizing the reduction in one's "carbon footprint." When the concept is focused entirely on the Climate Dividend (cap-and-trade program), most prefer visuals that overtly depict the money savings.
- Consideration should be given to the use of the term "dividend" in describing the credit, given its potential for misunderstanding and its association with investments (and the associated tax exposure, for those familiar with the term in the investment arena). If the name remains unchanged, explanatory text should make significant use of the term "credit" to telegraph the customer benefit and minimize confusion.

# Background Research

The following was developed as a high-level primer for the internal Targetbase team as work began on this report. Not all information contained was directly relevant to the outreach program. Therefore, it was not all included or referenced in the main body of the report; however, it may prove interesting and provide context.

## Background

On December 28, 2012, the Commission issued D.12-12-033, which directs Pacific Gas and Electric Company (PG&E), SCE, and San Diego Gas & Electric Company (SDG&E) (collectively referred to as the Investor Owned Utilities or IOUs) to allocate GHG allowance revenues, including interest, in the following manner and order:

- 1. Compensate emissions-intensive and trade-exposed (EITE) customers for electricity cost increases resulting from the Cap-and-Trade Program
- 2. Offset the rate impacts of the Cap-and-Trade Program in the electricity rates of small businesses, defined as entities with monthly demand not in excess of 20 kilowatts in more than three months within a twelve-month period, through a volumetrically calculated rate adjustment
- 3. Given the disproportionate cost burden currently reflected in upper-tier residential rates and the limited ability to pass Cap-and-Trade Program costs through to residential customers on the basis of cost responsibility, neutralize the rate impacts of the Cap-and-Trade Program on residential electricity rates through a volumetrically calculated rate adjustment
- 4. Distribute all revenues remaining after accounting for the revenues allocated pursuant to the prior three uses to residential customers on an equal per residential "household" basis delivered as a semi-annual, on-bill credit (Climate Dividend)

#### Scope of 2013 outreach activities

In 2013, SCE will implement a competitively neutral outreach plan that balances the requirement in SB 1018 to obtain the "maximum feasible public awareness of the crediting of greenhouse gas allowance revenues" with the Commission's directive to "maximize allowance revenue received by ratepayers."

To achieve this balance, SCE will actively engage customers through a variety of low cost channels, such as on-bill communications, newsletters and fact sheets. SCE will also use other channels including email, web, call center, and social media to reach diverse audiences. In addition, SCE will leverage existing, thematic marketing activities and campaigns to help maximize customer awareness.

#### **Target audience**

Bundled (Non-DA or CCA) Customers

- *Primary Target:* Customers receiving a GHG allowance revenue return, including: residential, small business/agricultural & pumping (under 20 kW of demand), and EITE entities
- Secondary Target: Business customers with demands 20 kW and above, who will see cost increases on their SCE bill due to the Cap-and-Trade Program

DA or CCA Customers

• *Target:* Customers receiving a GHG allowance revenue return, including: residential, small business/agricultural & pumping (under 20 kW of demand), and EITE entities

# Messaging

Research results also indicated that phrasing should be straightforward and make clear that the policy will reduce GHG.

When asked how the GHG policy should be referenced, "GHG Reduction" was cited as the top choice among survey participants.

Furthermore, findings indicated that any discussion of the Cap-and-Trade Program needs to emphasize the "cap" in Cap-and-Trade, as "trade" makes customers suspicious. Customers need to hear unqualified language that makes clear the Cap-and-Trade Program will reduce GHG. For example, messaging might read: "*Each year, the cap on the amount of greenhouse in the whole system has to go down a little more.*"

Source:

Akbar Jazayeri, Southern California Edison, "ADVICE 2864-E (U 338-E)," March 15, 2013.

### I. Overview of GHG

### Global Climate Change

The following discussion provides an overview of global climate change, its causes, its potential effects, emission sources, and inventories.

<u>Global climate change</u> is the observed increase in the average temperature of the Earth's atmosphere and oceans in recent decades. Global surface temperatures have risen by  $0.74^{\circ}C \pm 0.18^{\circ}C (1.1^{\circ}F \pm 0.4^{\circ}F)$  between 1906 and 2005. (The rate of warming over the last 50 years of this period is almost double that over the last 100 years.)

The prevailing scientific opinion on climate change is that most of the warming observed over the last 50 years is attributable to human activities.

- The increased amounts of carbon dioxide and other GHGs are the primary causes of the human-induced component of warming. (GHGs are released by the burning of fossil fuels, land clearing, agriculture, and other activities, and lead to an increase in the greenhouse effect.)
- The gases that are widely seen as the principal contributors to human-induced global climate change are:
  - 1. <u>Carbon dioxide (CO<sub>2</sub>)</u>

In the atmosphere, carbon generally exists in its oxidized form, as  $CO_2$ . Natural sources of  $CO_2$  include the respiration (breathing) of humans, animals and plants, volcanic outgassing, decomposition of organic matter, and evaporation from the oceans.

Human-caused sources of  $CO_2$  include the combustion of fossil fuels and wood, waste incineration, mineral production, and deforestation.

Natural sources release approximately 150 billion tons of  $CO_2$  each year, far outweighing the 7 billion tons of man-made emissions of  $CO_2$  each year. Natural removal processes, such as photosynthesis by land-and-ocean-dwelling plant

species, cannot keep pace with this extra input of man-made  $CO_2$  and consequently the gas is building up in the atmosphere.

2. <u>Methane (CH<sub>4</sub>)</u>

 $CH_4$  is produced when organic matter decomposes in environments lacking sufficient oxygen. Natural sources include wetlands, termites, and oceans.

Decomposition occurring in landfills accounts for the majority of human-generated  $CH_4$  emissions in California and in the United States as a whole.

Agricultural processes such as intestinal fermentation, manure management, and rice cultivation are also significant sources of  $CH_4$  in California.

 $CH_4$  accounted for approximately 6 percent of gross climate change emissions ( $CO_2e$ ) in California in 2002.

Total annual emissions of CH4 are approximately 500 million tons, with manmade emissions accounting for the majority.

As with  $CO_2$ , the major removal process of atmospheric  $CH_4$  – a chemical breakdown in the atmosphere – cannot keep pace with source emissions, and  $CH_4$ concentrations in the atmosphere are increasing.

3. <u>Nitrous oxide  $(N_20)$ </u>

 $N_2O$  is produced naturally by a wide variety of biological sources, particularly microbial action in soils and water.

Tropical soils and oceans account for the majority of natural source emissions.  $N_2 O$  is a product of the reaction that occurs between nitrogen and oxygen during fuel combustion.

Both mobile and stationary combustion emit  $N_2O$ , and the quantity emitted varies according to the type of fuel, technology, and pollution control device used, as well as maintenance and operating practices.

Agricultural soil management and fossil fuel combustion are the primary sources of human-generated  $N_2O$  emissions in California.

 $N_2O$  emissions accounted for nearly 7 percent of man-made GHG emissions (CO\_2e) in California in 2002.

4. <u>Hydrofluorocarbons (HFCs)</u>

HFCs are primarily used as substitutes for ozone-depleting substances regulated under the Montreal Protocol.

- 5. <u>Perfluorocarbons (PFCs)</u>
- 6. <u>Sulfur Hexafluoride (SF<sub>6</sub>)</u>

PFCs and  $SF_6$  are emitted from various industrial processes, including aluminum smelting, semiconductor manufacturing, electric power transmission and distribution, and magnesium casting.

There is no aluminum or magnesium production in California; however, the rapid growth in the semiconductor industry leads to greater use of PFCs.

HFCs, PFCs, and SF<sub>6</sub> accounted for about 3.5 percent of man-made GHG emissions  $(CO_2e)$  in California in 2002.

- These gases vary considerably in terms of Global Warming Potential (GWP), which is a concept developed to compare the ability of each GHG to trap heat in the atmosphere relative to another gas.
- The GWP is based on several factors, including the relative effectiveness of a gas to absorb infrared radiation and length of time that the gas remains in the atmosphere ("atmospheric lifetime"). The GWP of each gas is measured relative to CO<sub>2</sub>, the most abundant GHG; the definition of GWP for a particular GHG is the ratio of heat trapped by one unit mass of the GHG to the ratio of heat trapped by one unit mass of CO<sub>2</sub> over a specified time period. GHG emissions are typically measured in terms of pounds or tons of "CO<sub>2</sub> equivalents" (CO<sub>2</sub>e).
- Over the last 200 years, humans have caused substantial quantities of GHGs to be released into the atmosphere. These extra emissions are increasing GHG concentrations in the atmosphere and enhancing the natural greenhouse effect, which is believed to be causing global warming.
- While manmade GHGs include naturally-occurring gases such as  $CO_2$ , methane, and  $N_2O$ , some gases, like HFCs, PFCs, and SF<sub>6</sub> are completely new to the atmosphere.
- Certain gases, such as water vapor, are short-lived in the atmosphere. Others remain in the atmosphere for significant periods of time, contributing to climate change in the long term.

## **Impacts of Climate Change**

- Climate change refers to any significant change in measures of climate (such as temperature, precipitation, or wind) lasting for an extended period (decades or longer). Climate change may result from:
  - a) Natural factors, such as changes in the sun's intensity or slow changes in the Earth's orbit around the sun
  - b) Natural processes within the climate system (e.g., changes in ocean circulation and reduction in sunlight from the addition of GHGs and other gases to the atmosphere from volcanic eruptions)
  - c) Human activities that change the atmosphere's composition (e.g., through burning fossil fuels) and the land surface (e.g., from deforestation, reforestation, urbanization, and desertification)

#### Temperature Increase

The primary effect of global climate change has been a rise in the average global temperature. The impact of human activities on global climate change is readily apparent in the observational record.

• For example, surface temperature data show that 11 of the 12 years from 1995 to 2006 rank among the 12 warmest since 1850, the beginning of the instrumental record for global surface temperature.

The latest projections, based on state-of-the art climate models, indicate that temperatures in California are expected to rise 3°F to 10.5°F by the end of the century. Because GHGs persist for a long time in the atmosphere, accumulate over time, and are generally well-mixed, their impact on the atmosphere cannot be tied to a specific point of emission.

Climate change modeling shows that further warming could occur, which would induce additional changes in the global climate system during the current century. Changes to the global climate system, ecosystems, and the environment of California could include, but are not limited to:

- a) Loss of sea ice and mountain snow pack, resulting in higher sea levels and higher sea surface evaporation rates with a corresponding increase in tropospheric water vapor due to the atmosphere's ability to hold more water vapor at higher temperatures
- b) Rise in the global average sea level primarily due to thermal expansion and melting of glaciers and ice caps in the Greenland and Antarctic ice sheets
- c) Changes in weather that include widespread changes in precipitation, ocean salinity, and wind patterns, and more energetic aspects of extreme weather, including droughts, heavy precipitation, heat waves, extreme cold, and tropical cyclones
- d) Decline of the Sierra snowpack, which accounts for a significant amount of the surface water storage in California, by 70 percent to as much as 90 percent over the next 100 years
- e) Increase in the number of days conducive to ozone formation by 25 to 85 percent (depending on the future temperature scenario) in high-ozone areas of Los Angeles and the San Joaquin Valley by the end of the 21st century
- f) High potential for erosion of California's coastlines and seawater intrusion into the Delta and levee systems due to the rise in sea level

# Precipitation and Water Supply

Global average precipitation is expected to increase overall during the 21st century as the result of climate change, but will vary in different parts of the world.

• Most of California's precipitation falls in the northern part of the state during the winter. A vast network of man-made reservoirs and aqueducts capture and transport water

throughout the state from northern California rivers, as the greatest demand for water comes from users in the southern part of the state during the spring and summer.

- The current distribution system relies on Sierra Nevada mountain snowpack to supply water during the dry spring and summer months.
- Rising temperatures, potentially compounded by decreases in precipitation, could severely reduce spring snowpack, increasing the risk of summer water shortages.

#### Sea Level Rise

Rising sea level is one of the major areas of concern related to global climate change. Two of the primary causes for a sea level rise are the thermal expansion of ocean waters (water expanding as it heats up) and the addition of water to ocean basins by the melting of landbased ice. From 1961 to 2003, the global average sea level rose at an average rate of 0.07 inches per year, and at an accelerated average rate of about 0.12 inches per year during the last decade of this period (1993 to 2003).

- Over the past 100 years, sea levels along California's coasts and estuaries have risen about 7 inches.
- Sea levels could rise an additional 22 to 35 inches by the end of the century as global climate change continues. Although these projections are on a global scale, the rate of sea level rise along California's coast is relatively consistent with the worldwide average rate observed over the past century.
- Therefore, it is reasonable to assume that changes in worldwide sea level rise will also be experienced along California's coast.
- Sea level rise of this magnitude would increasingly threaten California's coastal regions with more intense coastal storms, accelerated coastal erosion, threats to vital levees, and disruption of inland water systems, wetlands and natural habitats.
- Residents may also be affected if wastewater treatment is compromised by inundation from rising sea levels, given that a number of treatment plants discharge to the bay.

# Water Quality

Water quality depends on a wide range of variables such as water temperature, flow, runoff rates and timing, waste discharge loads, and the ability of watersheds to assimilate wastes and pollutants.

- Climate change could alter water quality in a variety of ways, including higher winter flows that reduce pollutant concentrations (through dilution) or increase erosion of land surfaces and stream channels, leading to higher sediment, chemical, and nutrient loads in rivers. Water temperature increases and decreased water flows can result in increasing concentrations of pollutants and salinity.
- Increases in water temperature alone can lead to adverse changes in water quality, even in the absence of changes in precipitation.

# **Public Health**

Global climate change is also anticipated to result in more extreme heat events. These extreme heat events increase the risk of death from dehydration, heart attack, stroke, and respiratory distress, especially with people who are ill, children, the elderly, and the poor, who may lack access to air conditioning and medical assistance.

According to the California Climate Change Center, more research is needed to understand the effects of higher temperatures and how adapting to these temperatures can minimize health effects.

# **Global Emissions**

Worldwide emissions of GHGs in 2004 were 27 billion metric tons of  $CO_2e$  per year. Global estimates are based on country inventories developed as part of programs of the United Nations Framework Convention on Climate Change (UNFCCC).

## **U.S. Emissions**

In 2010, the United States emitted about 1,633.2 million metric tons (MMT) of  $CO_2e$ , with each individual at home releasing approximately 4 metric tons per year. Of the four major sectors nationwide – residential, commercial, industrial and transportation:

- Transportation accounts for the highest amount of GHG emissions (approximately 35 to 40 percent); these emissions are entirely generated from direct fossil fuel combustion. Between 1990 and 2009, total U.S. GHG emissions rose by 7.3 percent, but emissions decreased from 2008 to 2009 by 6.1 percent.
- This decrease was primarily due to: (1) a decrease in economic output resulting in a decrease in energy consumption across all sectors; and (2) a decrease in the carbon intensity of fuels used to generate electricity due to fuel switching as the price of coal increased, and the price of natural gas decreased significantly.

Since 1990, U.S. emissions have increased at an average annual rate of 0.4 percent.

# State of California Emissions

According to California Air Resources Board (ARB) emission inventory estimates, California gross emissions of GHG increased 4.3 percent, from 458 MMT of  $CO_2e$  emissions in 2000 to 477.7 million in 2008, with a maximum of 483.9 million in 2004. During the same period, California's population grew by 11.8 percent, from 34.1 to 38.1 million people and GHG emissions per person decreased from 13.4 to 12.5 metric tons of  $CO_2e$  per person.

The year 2008 saw a small decrease in Statewide GHG emissions, driven by a noticeable drop in on-road transportation emissions.

The year 2008 also reflects the beginning of the economic recession and fuel price spikes. As the economy recovers, GHG emissions are likely to rise again without other mitigation actions.

California has the fourth lowest per-capita  $CO_2$  emission rate from fossil fuel combustion in the country, due to the success of its energy efficiency and renewable energy programs and commitments that have lowered the state's GHG emissions rate of growth by more than half of what it would have been otherwise.

#### **Regulatory Framework**

The regulatory framework and governmental activities addressing GHG emissions and global climate change are discussed in this section. Although GHG emissions are being addressed on an international level, federal, state, regional, and local activities are most applicable to the proposed project and are discussed below.

# Federal Regulations

- The United States has historically had a voluntary approach to reducing GHG emissions. However, on April 2, 2007, the United States Supreme Court ruled that the Environmental Protection Agency (EPA) has the authority to regulate CO<sub>2</sub> emissions under the federal Clean Air Act (CAA). In response to this decision, the EPA commenced several actions beginning in 2009 to develop a regulatory approach to global climate change, including the ones described below.
- On September 22, 2009, the EPA issued a final rule for mandatory reporting of GHGs from large GHG emission sources in the United States.
- In general, this national reporting requirement will provide the EPA with accurate and timely GHG emissions data from facilities that emit 25,000 metric tons or more of CO<sub>2</sub> per year.

- This publicly available data will allow the reporters to track their own emissions, compare them to similar facilities, and aid in identifying cost-effective opportunities to reduce emissions in the future.
- Reporting is at the facility level, except that certain suppliers of fossil fuels and industrial GHGs, along with vehicle and engine manufacturers, will report at the corporate level.
- An estimated 85 percent of the total U.S. GHG emissions, from approximately 10,000 facilities, are covered by this rule.
- On December 7, 2009, the EPA Administrator signed a final action under the CAA, finding that six GHGs (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>) constitute a threat to public health and welfare, and that the combined emissions from motor vehicles contribute to global climate change.
- This EPA action does not impose any requirements on industry or other entities. However, the findings are a prerequisite to finalizing the GHG emission standards for light-duty vehicles.
- The EPA received ten petitions challenging this determination.
- On July 29, 2010, the EPA denied these petitions.
- On April 1, 2010, the EPA and the Department of Transportation's National Highway Traffic Safety Administration (NHTSA) announced a final joint rule to establish a national program consisting of new standards for model year 2012 through 2016 light-duty vehicles that will reduce GHG emissions and improve fuel economy.
- The EPA is finalizing the first-ever national GHG emissions standards under the Clean Air Act, and NHTSA is finalizing Corporate Average Fuel Economy standards under the Energy Policy and Conservation Act.
- The EPA GHG standards require light-duty vehicles to meet an estimated combined average emissions level of 250 grams of CO<sub>2</sub> per mile in model year 2016, equivalent to 35.5 miles per gallon.
- On August 9, 2011, the EPA and the NHTSA announced the first-ever standards to reduce GHG emissions and improve the fuel efficiency of heavy-duty trucks and buses.
- The final combined standards of the Heavy-Duty National Program will reduce CO<sub>2</sub> emissions by about 270 MMT and save about 530 million barrels of oil over the life of vehicles built for the 2014 to 2018 model years.
- The heavy duty sector addressed in the EPA and NHTSA rules (including the largest pickup trucks and vans, semi-trucks, and all types and sizes of work trucks and buses in between) accounts for nearly 6 percent of all U.S. GHG emissions and 20 percent of transportation emissions.
- On April 27, 2012, the EPA proposed new limits on the emissions of CO<sub>2</sub>.
- These standards would apply to new fossil fuel power plants. Power plants were selected because, at nearly 40 percent the United States' GHG emissions, they are the largest stationary source emitters of GHGs.
- The proposed requirements, which are strictly limited to new sources, would require new fossil fuel-fired power plants greater than 25 megawatts to meet an output-based standard of 1,000 pounds of CO<sub>2</sub> per megawatt-hour.

Source

P:\NCB1101 Napa HHSA\PRODUCTS\DEIR\Public\4e-GHG.doc, "Public Review Draft," August 23, 2012.

# II. California's GHG Program

California's program represents the first multi-sector cap-and-trade program in North America. Building on lessons from the northeast Regional Greenhouse Gas Initiative (RGGI) and the European Union Emission Trading Scheme (EU-ETS), the California program blends proven market elements with its own policy innovations.

# Summary

California recently launched its cap-and-trade program, which uses a market-based mechanism to lower greenhouse gas emissions. California's program is second in size only to the European Union's Emissions Trading System based on the amount of emissions covered. In addition to driving emission cuts in the ninth largest economy in the world, California's program will provide critical experience in how an economy-wide cap-and-trade system can function in the United States.

California's emissions trading system will reduce greenhouse gas emissions from regulated entities by more than 16 percent between 2013 and 2020. It is a central component of the state's broader strategy to reduce total greenhouse gas emissions to 1990 levels by 2020.

The cap-and-trade rules came into effect on January 1, 2013 and apply to large electric power plants and large industrial plants. In 2015, they will extend to fuel distributors (including distributors of heating and transportation fuels). At that stage, the program will encompass around 360 businesses throughout California and nearly 85 percent of the state's total greenhouse gas emissions.

Under a cap-and-trade system, companies must hold enough emission allowances to cover their emissions, and are free to buy and sell allowances on the open market. California held its first auction of greenhouse gas allowances on November 14, 2012. This marked the beginning of the first greenhouse gas cap-and-trade program in the United States since the group of nine northeastern states in the Regional Greenhouse Gas Initiative (RGGI), a greenhouse gas cap-and-trade program for power plants, held its first auction in 2008.

#### Cap-and-trade basics

A cap-and-trade system is one of a variety of policy tools to reduce the greenhouse gas emissions responsible for climate change. A cap-and-trade program sets a clear limit on greenhouse gas emissions and minimizes the total costs to emitters while achieving the target. This limit is translated into tradable emission allowances (each allowance typically equivalent to one metric ton of carbon dioxide or carbon dioxide equivalent), which are auctioned or allocated to regulated emitters on a regular basis. At the end of each compliance period, each regulated emitter must surrender enough allowances to cover its actual emissions during the compliance period.

The total number of available allowances decreases over time to reduce the total amount of greenhouse gas emissions. By creating a market, and a price, for emission reductions, the cap-and-trade system offers an environmentally effective and economically efficient response to climate change.

Ultimately, cap-and-trade programs offer opportunities for the most cost-effective emissions reductions. However, many challenging issues must be addressed before initiating a capand-trade program. Once established, a well-designed cap-and-trade market is relatively easy to implement, can achieve emission reductions goals in a cost-effective manner, and drives low-greenhouse gas innovation.

#### California cap-and-trade details

California's program represents the first multi-sector cap-and-trade program in North America. Building on lessons from the northeast Regional Greenhouse Gas Initiative (RGGI) and the European Union Emission Trading Scheme (EU-ETS), the California program blends proven market elements with its own policy innovations. These policy elements, and other relevant details of California's cap-and-trade program, are summarized in Table 1 below. The California Air Resources Board (CARB) adopted the state's cap-and-trade rule on October 20, 2011, and will implement and enforce the program. The cap-and-trade rules will first apply to electric power plants and industrial plants that emit 25,000 metric tons of

carbon dioxide equivalent (CO2e) per year or more. In 2015, the rules will also apply to fuel distributors (including distributors of heating and transportation fuels) that meet the 25,000 metric ton threshold, ultimately affecting a total of around 360 businesses throughout California.

The program imposes a greenhouse gas emission limit that will decrease by two percent each year through 2015, and by three percent annually from 2015 through 2020 (Figure 2).

Emission allowances will be distributed by a mix of free allocation and quarterly auctions. The portion of emissions covered by free allowances will vary by industry, but initially will account for approximately 90 percent of a business's overall emissions. The percentage of free allowances allocated to the businesses will decline over time. A business may also buy allowances from other entities that have reduced emissions below the amount of allowances held. These policy elements, and other relevant details of California's cap-and-trade program, are summarized in Table 1 below.

ISSUE	DETAILS AND DISCUSSION			
Status of Regulation				
Legal Status	California Air Resources Board (CARB) adopted final regulations on October 20, 2011. An amended regulation, featuring a variety of minor adjustments, was adopted on September 12, 2012.			
Legal Authority	Authorized by California Global Warming Solutions Act of 2006 (AB 32) AB 32 requires California to return to 1990 emission levels by 2020 (427 million metric tons (MMT) of carbon dioxide equivalent (CO <sub>2</sub> e) whereas business-as-usual would be 507 MMT)			
Lawsuit: Regulation does not go far enough	The Association of Irritated Residents (AIR) sued CARB, claiming cap and trade was not fully justified as a policy decision relative to a carbon tax or direct emission limits. After adding justification to the regulatory record, the court approved CARB's approach. AIR has vowed to appeal, arguing cap-and-trade does not achieve maximum feasible and cost-effective greenhouse gas reductions, as required by AB 32.			
Lawsuit: Allowance auctions constitute a tax	Immediately preceding California's first allowance auction, the California Chamber of Commerce filed a lawsuit alleging that AB 32 does not give CARB the authority to raise revenue from allowance auctions, and that all allowances must therefore be freely allocated. Alternatively, the California Chamber of Commerce argues that if AB 32 did attempt to grant this authority, it would constitute a tax, which requires approval from two-thirds of the legislature. AB 32 did not receive two-thirds approval. CARB has not yet responded to the suit.			

#### **TABLE 1:** California Cap-and-Trade Details

Lawsuit: Regulation goes too far	A lawsuit is anticipated that claims CARB is unconstitutionally attempting to regulate interstate commerce because the program will look outside of state borders to assign greenhouse gas reduction obligations to imported electricity. One court agreed with a similar argument against CARB's Low Carbon Fuel Standard in Rocky Mountain Farmers Union v. Goldstene, but that decision is being appealed.		
Start Date	Regulation went into effect on January 1, 2012 The first auction took place on November 14, 2012 Compliance obligations began on January 1, 2013		
Regulation Coverage			
Threshold of Coverage	Sources that emit at least 25,000 metric tons CO <sub>2</sub> e/year are subject to regulation		
Gases Covered	The six gases covered by the Kyoto Protocol (CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O, HFCs, PFCs, SF <sub>6</sub> ) Plus NF <sub>3</sub> and other fluoridated greenhouse gases		
Sectors Covered: Phase 1 (2013-2014)	Electricity generation, including imports Industrial sources Covers approximately 35% of California's total greenhouse gas emissions (approximately 160 MMT) (See Figures 1 and 2 below)		
Sectors Covered: Phase 2 (2015-onward)	Includes sectors covered in Phase 1, plus: Distributors of transportation fuel Distributors of natural gas Distributors of other fuel Covers approximately 85% of California's total greenhouse gas emissions (approximately 395 MMT) (See Figures 1 and 2 below)		
Point of Regulation	Electricity generators (within California) Electricity importers Industrial facility operators Fuel distributors		
Allowance Allocation			
Distribution Method	Free allocation for electric utilities (not generators), industrial facilities and natural gas distributors Free allocation amount declines over time Other allowances must be purchased at auction or via trade		
Allocation Methodology	Industry: Based on output and sector-specific emissions intensity benchmark that rewards efficient facilities, initially set at about 90% of average emissions and declining over time; free allocation to leakage-prone industries declines relatively less over time Electricity: Based on long-term procurement plans Natural gas: To be determined by CARB before 2015		
Auction	Quarterly, single round, sealed bid, uniform price Price minimum: \$10 in 2012, rising 5% annually over inflation Investor-owned utilities must consign their free allowances to be sold at auction; must use proceeds for ratepayer benefit		

Emission Targets / Allowance Availability	162.8 MMT in 2013 (electricity and industry) 394.5 MMT in 2015 (includes all covered sectors) 334.2 MMT in 2020 (15% reduction between 2015 and 2020) (See Figure 2 below)			
Market Flexibility				
Banking	A participating entity may bank allowances for future use and these allowances will not expire. However, regulated entities are subject to holding limits, restricting the maximum number of allowances that an entity may bank at any time. The holding limit quantity is based on a multiple of the entity's annual allowance budget			
Borrowing	Borrowing of allowances from future years is not allowed			
Offsets: Quantity	Allowed for 8% of total compliance obligation. Note that 8% refers to the total amount of allowances held by an entity; not the amount of reduction required by an entity. Thus more than 8% of the program's reductions can occur through offsets			
Offsets: Protocols	Offsets must comply with CARB-approved protocols. Protocols currently exist for: forestry, dairy digesters, ozone depleting substances projects, and urban forestry. Initially limited to projects in the U.S.; framework in place for international expansion. All offset projects developed under a CARB Compliance Offset Protocol must be listed with a CARB-approved Offset Project Registry. To date, the American Carbon Registry (ACR) and Climate Action Reserve (CAR) are the two approved registries.			
Strategic Reserve	A percentage of allowances, which increases over time from 1% to 7%, will be held in a strategic reserve by CARB in three tiers with different prices: \$40, \$45, \$50 in 2013, rising 5% annually over inflation. Since these prices are not subject to market forces, the strategic reserve will help constrain compliance costs.			
Compliance Period	3-year compliance periods (following 2-year Phase 1)			
Emissions Reporting and	missions Reporting and Verification			
Reporting	Capped entities must report annually (as required since 2008)			
Registration	Capped entities must register with CARB to participate in allowance trading market			
Verification	Reported emissions will be verified by a third party.			
Compliance and Enforcement				
Annual Obligation	Entities must provide allowances and/or offsets for 30% of their previous year's emissions			
Compliance Period Obligation	At the end of every compliance period, entities must provide allowances and/or offsets for balance of emissions from the entire compliance period (2 years for the first period, 3 years for the next 2 periods).			
Noncompliance	If a deadline is missed or there is a shortfall, four allowances must be surrendered for every metric ton not covered in time.			
Trading and Enforcement	The regulation expressly prohibits any trading involving a manipulative device, a corner of or an attempt to corner the market, fraud, attempted fraud, or false or inaccurate reports. Violations of the regulations can result in civil or criminal penalties. Perjury statutes apply. The program includes mechanisms to prevent market manipulation			
Linking				
Quebec	California's program will eventually be linked to Quebec's cap and trade program. Rulemaking is taking place currently to facilitate this, and it will require the approval of California's governor.			
Western Climate Initiative (WCI)	Other WCI partners (British Columbia, Manitoba, Ontario) plan to eventually join the linked program as well			
Other Jurisdictions	CARB is open to linking with additional state or regional programs			



# FIGURE 1: California Greenhouse Gas Emissions by Sector in 2009

Total 2009 gross emissions were 456.8 MMT CO<sub>2</sub>e. Note that "Residential" and "Commercial" equate to heating fuel consumption, which is covered starting in 2015.

Source: CARB, Greenhouse Gas Inventory Data - Graphs, http://www.arb.ca.gov/cc/inventory/data/graph/graph.htm



#### FIGURE 2: California's greenhouse gas emission cap and business-as-usual (BAU) projections

The cap-and-trade program has a "narrow" scope in 2013 and 2014 that encompasses the electricity and industrial sectors. The program expands in 2015 to encompass transportation and heating fuels. Offsets can be used for up to eight percent of each regulated entity's compliance obligation.

Source: CARB, California Cap-and-Trade Regulation Initial Statement of Reasons, Appendix E: Setting the Program Emissions Cap, http://www.arb.ca.gov/regact/2010/capandtrade10/capv3appe.pdf

#### California's overall climate change program

California's cap-and-trade program is only one element of its broader climate change initiative, as authorized in the California Global Warming Solutions Act of 2006 (AB 32). AB 32 seeks to slow climate change through a comprehensive program reducing greenhouse gas emissions from virtually all sources statewide. The Act requires CARB to develop regulations and market mechanisms that will cut the state's greenhouse gas emissions to 1990 levels by 2020 —a 25 percent reduction statewide. Figure 3 shows California's projected greenhouse gas emissions growth in the absence of cap and trade.

AB 32 also requires CARB to take a variety of actions aimed at reducing the state's impact on the climate. CARB has adopted a portfolio of measures to reduce greenhouse gas emissions in the state, including a Low Carbon Fuel Standard and a variety of energy efficiency standards. The cap under CARB's cap-and-trade rule is flexible and can be tightened if CARB's other measures reduce greenhouse gas emissions less than anticipated. California's cap-and-trade program therefore acts as a backstop to ensure its overall 2020 greenhouse gas target is met. Figure 4 shows the programs CARB is implementing to achieve the goals of AB 32 and the projected impact of each.



FIGURE 3: California Greenhouse Gas Emissions in 1990, 2009, and 2020 under Business-as-Usual

Sources:

1990: California Energy Commission, Inventory of Greenhouse Gas Emissions and Sinks: 1990 to 2004,http://www.energy.ca.gov/2006publications/CEC-600-2006-013/CEC-600-2006-... CARB, California 1990 Greenhouse Gas Emissions Level and 2020 Emissions Limit, http://www.arb.ca.gov/cc/inventory/pubs/reports/staff\_report\_1990\_level.pdf

2009: CARB, California Greenhouse Gas Inventory for 2000-2009 – by Category as Defined in the Scoping Plan, http://www.arb.ca.gov/cc/inventory/data/tables/ghg\_inventory\_scopingplan\_00-09\_2011-10-26.pdf

2020: CARB, Greenhouse Gas Emission Forecast for 2020: Data Sources, Methods, and Assumptions, http://www.arb.ca.gov/cc/inventory/data/tables/2020\_forecast\_methodology\_2010-10-28.pdf



# FIGURE 4: Projected Reductions (in MMT CO<sub>2</sub>e) Caused by AB 32 Measures by 2020 and Share of Total

Note that CARB projects 61.8 MMT CO<sub>2</sub>e of reductions within the cap and an additional 27.3 MMT CO<sub>2</sub>e outside of the cap. The total reduction is therefore anticipated to be approximately 89 MMT CO<sub>2</sub>e, higher than the 80 MMT CO<sub>2</sub>e projected to be necessary to meet the AB 32 target. Although large industrial facilities are covered by the cap, CARB projects reductions in smaller facilities outside of the cap as well.

Source: CARB, Status of Scoping Plan Recommended Measures, http://www.arb.ca.gov/cc/scopingplan/status\_of\_scoping\_plan\_measures.pdf

#### Auction revenue

Although a significant number of emission allowances will be freely allocated in California's program, many will also be sold at auction. These auctions are expected to generate approximately \$1 billion annually starting in fiscal year 2012-2013 for the state, a figure that could rise over time. On September 30, 2012, Governor Jerry Brown signed two bills into law, establishing guidelines on how this annual revenue will be disbursed. The two laws do not identify specific programs that will benefit from the revenue, but they provide a framework for how the state will invest cap-and-trade revenue into local projects. California's first quarterly cap-and-trade GHG allowance auction took place on November 14, 2012. About 29 million greenhouse gas allowances, each representing one metric ton of carbon dioxide, were auctioned off in this first auction to more than 600 approved industrial facilities and electricity generators.

The first law, AB 1532, requires that the revenue from allowance auctions be spent for environmental purposes, with an emphasis on improving air quality. The second, SB 535, requires that at least 25 percent of the revenue be spent on programs that benefit disadvantaged communities, which tend to suffer disproportionately from air pollution. The California Environmental Protection Agency will identify disadvantaged communities for

investment opportunities, while the state's Department of Finance will develop a three-year investment plan and oversee the expenditures of this revenue to mitigate direct health impacts of climate change.

#### California cap and trade in context

Greenhouse gas cap-and-trade programs are operating in the European Union, Australia, New Zealand, and in nine northeastern states (the Regional Greenhouse Gas Initiative, or RGGI). Beginning in 2013, California and Quebec will have operating programs as well. Table 2 below compares key elements of the California, RGGI, EU-ETS, and Quebec cap-and-trade systems.

# **TABLE 2:** Comparison of cap-and-trade programs in California, RGGI, EU-ETS, and Quebec

	CALIFORNIA'S GREENHOUSE GAS CAP-AND-TRADE PROGRAM	REGIONAL GREENHOUSE GAS INITIATIVE (RGGI)	EU'S EMISSIONS TRADING SYSTEM	QUEBEC'S CARBON MARKET
Population	38 million	41 million	500 Million	8 Million
Gross Regional Product	US \$1.9 trillion	US \$2.3 trillion	US \$16 trillion	US \$304 billion
Participating Jurisdictions	California	9 US States: CT, DE, MA, MD, ME, NH, NY, RI, VT	Mandatory for all 27 EU members plus Norway, Iceland and Lichtenstein	Quebec
Greenhouse Gases Covered	CO2, CH4, N2O, SF6, PFCs, NF3, other fluorinated greenhouse gases	CO₂ only	CO₂, plus N₂O and PFCs starting in 2013	CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O, SF <sub>6</sub> , PFCs, NF <sub>3</sub> , other fluorinated greenhouse gases

	CALIFORNIA'S GREENHOUSE GAS CAP-AND-TRADE PROGRAM	REGIONAL GREENHOUSE GAS INITIATIVE (RGGI)	EU'S EMISSIONS TRADING SYSTEM	QUEBEC'S CARBON MARKET
Sectors Covered	Electricity (including imports) and industry in 2013; plus ground transportation and heating fuels in 2015	Fossil fuel-fired power plants (does not include imports)	Electricity, heat and steam production, oil, iron and steel, cement, glass, pulp and paper in 2005-2012; plus CO <sub>2</sub> from petrochemicals, ammonia, aviation and aluminum, N <sub>2</sub> O from acid production, and PFCs from aluminum starting in 2013	Electricity (including imports) and industry in 2013; plus ground transportation and heating fuels in 2015
Emissions Threshold	Emitters of at least 25,000 metric tons CO2e annually	Fossil fuel-fired power plants generating 25 MW or greater located within the RGGI States	Any combustion installation over 20 MW; sector- specific threshold for other sources	Emitters of at least 25,000 metric tons CO2e annually
Target	Approximately 17% below 2013 emissions by 2020	10% below 2009 emissions by 2018	21% cut below 2005 levels by 2020	20% below 1990 levels by 2020. Considering raising target to 25%
2013 Allowance Budgets (Millions of Allowances)	162.8	165	2039	23.7
Maximum Emissions Covered in million metric tons of CO₂equivalent (Year of Maximum Allowance Availability)	394.5 (2015)	171 (2009)	2039 (2013)	63.3 (2015)

	CALIFORNIA'S GREENHOUSE GAS CAP-AND-TRADE PROGRAM	REGIONAL GREENHOUSE GAS INITIATIVE (RGGI)	EU'S EMISSIONS TRADING SYSTEM	QUEBEC'S CARBON MARKET
Emissions Target in million metric tons of COzequivalent (Target Year)	334.2 (2020)	154 (2018) - Target may become more aggressive through Program Review	1643 (2020) - Target may become more aggressive	51 (2020)
Status	First auction on November 14, 2012; compliance obligations began January 1, 2013	Compliance obligations began on January 1, 2009	Compliance obligations began on January 1, 2005	Compliance obligations began January 1, 2013
Allocation Method	Mixed – some free allocations for industry; auctions for others	Approximately 90% available for sale at auction, remainder up to states	Mixed - some free allocation for industry based on benchmarking; auction for power sector and others that can pass on costs; EU sets broad harmonization rules, but members have some flexibility; approximately 50% auction in 2013	Free allocation for some sectors, auctions for others
Price Floor at Auction	\$10 per metric ton for both 2012 and 2013 before rising 5% per year (plus inflation) starting in 2014.	\$1.93 in 2012; increasing with consumer price index (CPI)	No Price Floor	\$10 per metric ton price floor starting in 2012 and rising 5% for each year thereafter (plus inflation)
Affiliations	Helped establish Western Climate Initiative in 2007	None	UNFCCC, Kyoto Protocol	Joined Western Climate Initiative in 2008

	CALIFORNIA'S GREENHOUSE GAS CAP-AND-TRADE PROGRAM	REGIONAL GREENHOUSE GAS INITIATIVE (RGGI)	EU'S EMISSIONS TRADING SYSTEM	QUEBEC'S CARBON MARKET
Linkage Status	Considering linkage with Quebec starting in 2013. Also setting up forum with Australia to share experiences	No current plans to link	Plans to link with Australia in 2018. Also helping China design their market	Considering linkage with California for 2013 auction
Offset Limit	Can account for 8% of a regulated entity's compliance obligation	Can account for 3.3% of a regulated entity's compliance obligation; higher if certain price triggers are hit	No limit; considering setting limits after 2020	Can account for 8% of a regulated entity's compliance obligation
2013 Offset Use Limit (Millions of Offset Credits)	13	Depends on price triggers	No limit; considering setting limits after 2020	2.1
Types of Offset Categories	<ol> <li>Forestry;</li> <li>Urban forestry;</li> <li>Dairy digesters;</li> <li>Destruction of ozone-depleting substances</li> </ol>	<ol> <li>Landfill methane destruction;</li> <li>Reduction in emissions of SF<sub>6</sub> in the power sector;</li> <li>Sequestration of carbon due to afforestation;</li> <li>Reduction of CO<sub>2</sub> emissions from natural gas, oil, or propane end-use combustion in buildings;</li> <li>Avoided methane emissions from agricultural manure management</li> </ol>	<ol> <li>Clean Development Mechanism</li> <li>(CDM) and Joint Implementation</li> <li>(II) project types, except those from land use, land-use change and forestry activities; Starting in 2013</li> <li>(third phase), HFC and adipic acid credits will be excluded.</li> </ol>	<ol> <li>Covered manure storage facilities – CH<sub>4</sub> destruction;</li> <li>Landfill sites – CH<sub>4</sub> Destruction;</li> <li>Destruction of ozone depleting substances contained in insulating foam recovered from appliances</li> </ol>

#### Cap-and-trade linkage

California is part of the Western Climate Initiative (WCI), which also includes British Columbia, Manitoba, Ontario and Quebec. WCI partners are working together with a goal of eventually creating a linked cap-and-trade program that covers each jurisdiction. When Governor Schwarzenegger signed an agreement establishing the initiative on February 26, 2007, California became one of the original participants of the initiative. WCI Partners have developed a comprehensive initiative to reduce regional greenhouse gas emissions to 15 percent below 2005 levels by 2020. Quebec is currently the only other jurisdiction in WCI that is implementing cap and trade in the near-term, and its first compliance period began on January 1, 2013.
In early 2012, the California Air Resources Board (CARB) considered linking California and Quebec's cap-and-trade programs. CARB had planned to permit California and Quebec's greenhouse gas emissions allowances to be interchangeable at auction and used for compliance purposes in each other's programs. Quebec had also worked towards participating in an auction of interchangeable allowances, releasing draft amendments to its cap-and-trade regulation to harmonize with California's reporting scheme and to facilitate such a linkage.

However, CARB proceeded with its first auction on November 14, 2012 without Quebec. In June 2012, the plans to link the programs were put on hold after the California legislature passed S.B. 1018, which requires CARB to notify the governor of any potential linkage with other states or Canadian provinces. A recent analysis from the Emissions Market Assessment Committee for AB 32 Compliance Mechanisms concludes that linkage with Quebec should be considered once each market is found to be "well-functioning," a determination that would not likely be made until 2015, after the conclusion of California's second phase of the market. However, CARB anticipates linkage sometime in 2013.

## GLOSSARY

**Allowance:** A government-issued authorization to emit a certain amount. In greenhouse gas markets, an allowance is commonly denominated as one ton of  $CO_2e$  per year. The total number of allowances distributed to all entities in a cap-and-trade system is determined by the size of the overall cap on emissions.

**Allowance distribution:** The process by which emissions allowances are initially distributed under an emissions cap-and-trade system. Authorizations to emit can initially be distributed in a number of ways, either through some form of auction, free allocation, or some of both.

**Auctioning:** A method for distributing emission allowances in a cap-and-trade system whereby allowances are sold to the highest bidder. This method of distribution may be combined with other forms of allowance distribution.

**Banking:** The carry-over of unused allowances or offset credits from one compliance period to the next.

**Benchmarking:** An allowance allocation method in which allowances are distributed based upon a specified level of emissions per unit of input or output.

**Borrowing:** A mechanism under a cap-and-trade program that allows covered entities to use allowances designated for a future compliance period to meet the requirements of the current compliance period. Borrowing may entail penalties to reflect a programmatic preference for near term emissions reductions.

**Business-as-Usual:** In the absence of the regulation being discussed. This term is used to assess the future impacts of a regulation.

**Cap and Trade:** A cap-and-trade system sets an overall limit on emissions, requires entities subject to the system to hold sufficient allowances to cover their emissions, and provides broad flexibility in the means of compliance.

Entities can comply by undertaking emission reduction projects at their covered facilities and/or by purchasing emission allowances (or credits) from the government or from other entities that have generated emission reductions in excess of their compliance obligations.

## **Section 9: Appendix**

**Carbon Dioxide Equivalent (CO<sub>2</sub>e):** Carbon dioxide equivalent is a measure used to compare the emissions from various greenhouse gases based upon their global warming potential. For example, the global warming potential for methane over 100 years is 21. This means that emissions of one million metric tons of methane is equivalent to emissions of 21 million metric tons of carbon dioxide.

**Compliance period:** The time frame for which regulated emitters surrender enough allowances to cover their actual emissions during that time frame.

**Credits:** Credits can be distributed by the government for emission reductions achieved by offset projects or by achieving environmental performance beyond a regulatory standard.

**Emissions Cap:** A mandated constraint in a scheduled timeframe that puts a "ceiling" on the total amount of anthropogenic greenhouse gas emissions that can be released into the atmosphere.

**Emissions Trading:** The process or policy that allows the buying and selling of credits or allowances created under an emissions cap.

**Global Warming Potential (GWP):** A measure of the total energy that a gas absorbs over a particular period of time (usually 100 years), compared to carbon dioxide.

**Greenhouse Gases (GHG):** Greenhouse gases include a wide variety of gases that trap heat near the Earth's surface, slowing its escape into space. Greenhouse gases include carbon dioxide ( $CO_2$ ), methane ( $CH_4$ ), nitrous oxide ( $N_2O$ ) and water vapor and other gases. While greenhouse gases occur naturally in the atmosphere, human activities also result in additional greenhouse gas emissions. Humans have also manufactured some greenhouse gases not found in nature (e.g., hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride).

**High GWP:** Gases with high global warming potential (GWP). There are three major groups or types of high GWP gases: hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF<sub>6</sub>). These compounds are the most potent greenhouse gases. In addition to having high global warming potentials, SF<sub>6</sub> and PFCs have extremely long atmospheric lifetimes, resulting in their essentially irreversible accumulation in the atmosphere once emitted.

**Kyoto Protocol:** An international agreement signed at the Third Conference of the Parties to the UN Framework Convention on Climate Change in Kyoto, Japan (December 1997). The Protocol sets binding emission targets for industrialized countries that would reduce their collective emissions by 5.2 percent, on average, below 1990 levels by 2012.

**Leakage:** A reduction in emissions of greenhouse gases within a jurisdiction that is offset by an increase in emissions of greenhouse gases outside the jurisdiction. For example, if a regulated facility moves across the border to continue operations unchanged rather than reducing its emissions

**Linking:** Authorization by the regulator for entities covered under a cap-and-trade program to use allowances or offsets from a different jurisdiction's regulatory regime (such as another cap-and-trade program) for compliance purposes. Linking may expand opportunities for low-cost emission reductions, resulting in lower compliance costs.

**Offset:** Projects undertaken outside the coverage of a mandatory emissions reduction system for which the ownership of verifiable greenhouse gas emission reductions can be **Section 9: Appendix** 

transferred and used by a regulated source to meet its emissions reduction obligation. If offsets are allowed in a cap and trade program, credits would be granted to an uncapped source for the net emissions reductions a project achieves. A capped source could then acquire these credits as a method of compliance under a cap.

**Price Trigger:** A general term used to describe a price at which some measure will be taken to stabilize or lower allowance prices. For example, RGGI uses price triggers to expand the amount of offsets that can be used for compliance.

**Program Review (RGGI):** The Memorandum of Understanding among RGGI states calls for a 2012 Program Review. This Program Review, now in progress, is a comprehensive evaluation of program success, program impacts, additional reductions, imports and emissions leakage, and offsets.

**Scope:** The coverage of a cap-and-trade system, i.e., which sectors or emissions sources will be included.

**Sealed Bid (Auction):** A type of auction process in which all bidders simultaneously submit sealed bids to the auctioneer, so that no bidder knows how much the other auction participants have bid.

**Single Round (Auction):** Bids for allowances are all solicited and settled in a single round. Auction participants can submit multiple bids for this single round. For example, a participant could bid \$15 per allowance for 10,000 allowances and \$20 per allowance for a separate 20,000 allowances.

**Source:** Any process or activity that results in the net release of greenhouse gases, aerosols, or precursors of greenhouse gases into the atmosphere.

**True-up:** A submission of emission allowances equivalent to a regulated entity's emissions during a compliance period, less what the entity has already submitted at interim deadlines.

**Uniform Price (Auction):** All allowances awarded in a single auction will be the same price. Allowances will be sold to bidders, beginning with the highest bid price and moving to successively lower priced bids, until all of the available allowances are sold. The bid at which all available allowances are sold becomes the settlement price and this is the price per allowance that all bidders will be charged for the allowances won in the auction. Bids submitted at prices below the settlement price will not win any allowances.

**Western Climate Initiative (WCI):** A collaboration launched in February 2007 to meet regional challenges raised by climate change. WCI is identifying, evaluating and implementing collective and cooperative ways to reduce greenhouse gases in the region. Membership in the WCI presently consists of California, British Columbia, Manitoba, Ontario, and Quebec.

Source

Center for Climate and Energy Solutions, "California Cap-and-Trade Program Summary," January 2013.

## RGGI

The nine states in the northeast <u>Regional Greenhouse Gas Initiative</u> took an important step this month that will significantly reduce greenhouse gas emissions and increase funding for energy efficiency and clean energy without unduly burdening businesses or consumers. That step was to adjust their cap-and-trade program by <u>tightening the emissions cap</u> and increasing compliance flexibility for businesses.

In 2009, RGGI became the nation's first mandatory, market-based program to reduce emissions of carbon dioxide ( $CO_2$ ). <u>California's cap-and-trade program</u> is now the second. Over the past two years, RGGI conducted a comprehensive <u>program review</u> culminating in an updated <u>Model Rule</u>, the program's first major overhaul since its launch.

The new cap takes into account the region's actual emissions, which have fallen over 40 percent below initial projections. After resetting to current emissions levels, the new cap would decline by 2.5 percent each year from 2015 to 2020, significantly surpassing the states' current goal of reducing  $CO_2$  emissions from the power sector 10 percent between 2009 and 2018.

<u>Analysis</u> by ICF International indicates that under the updated program, greenhouse gas emissions from the power sector would decline by about 15 percent from current levels by 2020. The average electricity bill for residents in these states would increase less than 1 percent in that time, while the program would generate \$2.2 billion for investments in <u>energy efficiency</u>.

Since the program's inception, RGGI has served as a role model, but its designers have also been conscious of the importance of learning from others. The updated compliance flexibility is responsive to business concerns and also draws on design innovations in <u>California's new</u> <u>program</u>, which itself had borrowed heavily from RGGI in its design.

The updated Model Rule includes provisions to expand RGGI's <u>offset program</u>, most notably by adding a forestry protocol modeled after California's. It also creates a cost containment reserve (CCR) of carbon dioxide allowances, an idea also borrowed from California. The CCR would provide a fixed additional supply of allowances that would only be made available if allowance prices exceed predefined price levels. The CCR provisions would also simplify existing compliance flexibility measures.

With this step, RGGI continues its critically important leadership, demonstrating <u>market-based policies</u> are an effective and efficient means of reducing greenhouse gas emissions.

#### Source

Judi Greenwald, Center for Climate and Energy Solutions, "RGGI changes help both the environment and business," February 20, 2013, <<u>http://www.c2es.org/blog/greenwaldj/rggi-changes-help-both-environment-business</u>>, accessed May 2013.





#### **State Regulations**

• The ARB is the lead agency for implementing climate change regulations in the state. The following is a summary of state legislation adopted for the purpose of reducing greenhouse gas emissions.

### Section 9: Appendix

## Assembly Bill 1493 (2002)

- In a response to the transportation sector's significant contribution to California's CO<sub>2</sub> emissions, AB 1493 was enacted on July 22, 2002.
- AB 1493 requires the ARB to set GHG emission standards for passenger vehicles and light duty trucks (and other vehicles whose primary use is noncommercial personal transportation in the state) manufactured in 2009 and all subsequent model years.
- These standards (starting in model years 2009 to 2016) were approved by the ARB in 2004, but the needed waiver of Clean Air Act Preemption was not granted by the U.S. EPA until June 30, 2009.
- The ARB responded by amending its original regulation, now referred to as Low Emission Vehicle III GHG, to take effect for model years starting in 2017 to 202523.

## Executive Order S-3-05 (2005)

- Governor Arnold Schwarzenegger signed Executive Order S-3-05 on June 1, 2005, which proclaimed that California is vulnerable to the impacts of climate change.
- To combat those concerns, the executive order established California's GHG emissions reduction targets, which established the following goals:
  - 1. GHG emissions should be reduced to 2000 levels by 2010;
  - 2. GHG emissions should be reduced to 1990 levels by 2020; and
  - 3. GHG emissions should be reduced to 80 percent below 1990 levels by 2050.
- The Secretary of the California Environmental Protection Agency (CalEPA) is required to coordinate efforts of various state agencies in order to collectively and efficiently reduce GHGs. A biannual progress report must be submitted to the Governor and State Legislature disclosing the progress made toward GHG emission reduction targets.
- In addition, another biannual report must be submitted illustrating the impacts of global warming on California's water supply, public health, agriculture, the coastline, and forestry, and report possible mitigation and adaptation plans to address these impacts.

## Assembly Bill 32 (2006), California Global Warming Solutions Act.

- California's major initiative for reducing GHG emissions is AB 32, passed by the state legislature on August 31, 2006.
- This effort aims at reducing GHG emissions to 1990 levels by 2020. The ARB has established the level of GHG emissions in 1990 at 427 MMT  $CO_2e$ .
- The emissions target of 427 MMT requires the reduction of 169 MMT from the state's projected business-as-usual 2020 emissions of 596 MMT.
- AB 32 requires the ARB to prepare a Scoping Plan that outlines the main state strategies for meeting the 2020 deadline and to reduce GHGs that contribute to global climate change.
- The Scoping Plan was approved by the ARB on December 11, 2008, and includes measures to reduce GHG emissions related to energy efficiency, water use, recycling, solid waste, and other sources.
- <u>The Scoping Plan</u> includes a range of GHG reduction actions that may include direct regulations, alternative compliance mechanisms, monetary and non-monetary incentives, voluntary actions, and **market-based mechanisms such as a cap-and-trade system**.
- The Scoping Plan, even after ARB approval, remains a recommendation.
- The measures in the Scoping Plan will not be binding until after they are adopted through the normal rulemaking process.
- The ARB rulemaking process includes preparation and release of each of the draft measures, public input through workshops, and a public comment period, followed by an ARB hearing and rule adoption.
- In addition to reducing GHG emissions to 1990 levels by 2020, AB 32 directed the ARB and the newly created Climate Action Team (CAT) to identify a list of "discrete early Section 9: Appendix

action GHG reduction measures" that could be adopted and made enforceable by January 1, 2010.

- On January 18, 2007, Governor Schwarzenegger signed Executive Order S-1-07, further solidifying California's dedication to reducing GHGs by setting a new Low Carbon Fuel Standard.
- The Executive Order sets a target to reduce the carbon intensity of California transportation fuels by at least 10 percent by 2020 and directs the ARB to consider the Low Carbon Fuel Standard as a discrete early action measure.
- In June 2007, the ARB approved a list of 37 early action measures, including three discrete early action measures (Low Carbon Fuel Standard, Restrictions on GWP Refrigerants, and Landfill CH<sub>4</sub> Capture).
- 25 Discrete early action measures are measures that were required to be adopted as regulations and made effective no later than January 1, 2010, the date established by Health and Safety Code Section 38560.5.
- The ARB adopted additional early action measures in October 2007 that tripled the number of discrete early action measures. These measures relate to truck efficiency, port electrification, reduction of PFCs from the semiconductor industry, reduction of propellants in consumer products, proper tire inflation, and SF<sub>6</sub> reductions from the non-electricity sector.
- The combination of early action measures is estimated to reduce state-wide GHG emissions by nearly 16 MMT.
- To assist public agencies in analyzing the effects of GHGs under CEQA, Senate Bill 97 (Chapter 185, 2007) required the Governor's Office of Planning and Research (OPR) to develop CEQA guidelines on how to minimize and mitigate a project's GHG emissions.
- On December 30, 2009, the Natural Resources Agency adopted amendments to the *CEQA Guidelines* related to climate change. These amendments became effective on March 18, 2010.
- In December 2008, ARB adopted its Climate Change Scoping Plan, which contains the main strategies California will implement to achieve reduction of approximately 169 MMT of CO<sub>2</sub>e, or approximately 30 percent from the state's projected 2020 emission level of 596 MMT of CO<sub>2</sub>e under a business-as-usual scenario (this is a reduction of 42 MMT CO<sub>2</sub>e, or almost 10 percent from 2002-2004 average emissions).
- The Scoping Plan also includes ARB-recommended GHG reductions for each emissions sector of the state's GHG inventory.
- The Scoping Plan calls for the largest reductions in GHG emissions to be achieved by implementing the following measures and standards:
  - $_{\odot}$  Improved emissions standards for light-duty vehicles (estimated reductions of 31.7 MMT CO\_2e)
  - $\circ$  The Low-Carbon Fuel Standard (15.0 MMT CO<sub>2</sub>e)
  - Energy efficiency measures in buildings and appliances and the widespread development of combined heat and power systems (26.3 MMT  $CO_2e$ )
  - A renewable portfolio standard for electricity production (21.3 MMT CO<sub>2</sub>e)
- The Scoping Plan identifies 18 emission reduction measures that address cap-and-trade programs, vehicle gas standards, energy efficiency, low carbon fuel standards, renewable energy, regional transportation-related GHG targets, vehicle efficiency measures, goods movement, solar roof programs, industrial emissions, high speed rail, green building strategies, recycling, sustainable forests, water, and air.
- The measures would result in a total reduction of 174 MMT  $CO_2e$  by 2020.
- On August 24, 2011, the ARB unanimously approved both ARB's new supplemental assessment and re-approved its Scoping Plan, which provides the overall roadmap and rule measures to carry out AB 32.
- The ARB also approved a more robust CEQA equivalent document supporting the supplemental analysis of the cap-and-trade program.

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• ARB also announced that it would be delaying the date that entities would be required to comply with its cap-and-trade program until 2013.

## Senate Bill 1368 (2006)

- SB 1368 is the companion bill of AB 32 and was signed by Governor Schwarzenegger in September 2006.
- SB 1368 requires the California Public Utilities Commission (PUC) to establish a GHG emission performance standard for baseload generation from investor owned utilities and local publicly-owned utilities.
- These standards cannot exceed the GHG emission rate from a baseload combined-cycle natural gas fired plant.
- The legislation further requires that all electricity provided to California, including imported electricity, must be generated from plants that meet the standards set by the PUC.

## **Executive Order S-1-07**

• Executive Order S-1-07 in 2007 indicates that the transportation sector accounts for over 40 percent of statewide GHG emissions and establishes a goal to reduce the carbon intensity of transportation fuels sold in California by a minimum of 10 percent by 2020.

## Senate Bill 97 (2007)

- SB 97, signed by the Governor in August 2007 (Chapter 185, Statutes of 2007; Public Resources Code, Sections 21083.05 and 21097), acknowledges climate change is a prominent environmental issue that requires analysis under CEQA. This bill directed the OPR to prepare, develop, and transmit to the California Resources Agency guidelines for mitigating GHG emissions or the effects of GHG emissions, as required by CEQA.
- The California Natural Resources Agency adopted the amendments to the *CEQA Guidelines* in January 2010, which went into effect in March 2010.
- The amendments do not identify a threshold of significance for GHG emissions, nor do they prescribe assessment methodologies or specific mitigation measures. The amendments encourage lead agencies to consider many factors in performing a CEQA analysis, but preserve the discretion granted by CEQA to lead agencies in making their own determinations based on substantial evidence. The amendments also encourage public agencies to make use of programmatic mitigation plans and programs when they perform individual project analyses.

## Senate Bill 375 (2008)

- Signed into law on October 1, 2008, SB 375 supplements GHG reductions from new vehicle technology and fuel standards with reductions from more efficient land use patterns and improved transportation.
- Under the law, the ARB approved GHG reduction targets in February 2011 for California's 18 federally designated regional planning bodies, known as Metropolitan Planning Organizations (MPOs).
- The ARB may update the targets every 4 years and must update them every 8 years.
- MPOs in turn must demonstrate how their plans, policies and transportation investments meet the targets set by the ARB through Sustainable Community Strategies (SCS).
- The SCS are included with the Regional Transportation Plan (RTP), a report required by State law.
- However, if an MPO finds that their SCS will not meet the GHG reduction target, they may prepare an Alternative Planning Strategy (APS).
- The APS identifies the impediments to achieving the targets.

Source

P:\NCB1101 Napa HHSA\PRODUCTS\DEIR\Public\4e-GHG.doc, "Public Review Draft," August 23, 2012.

#### **III.** Customer Perspective

#### Positive/Optimistic view:

Technological innovation and savvy policies to promote renewable energy succeed in proving California can have it all – a strong economy that nonetheless reduces the carbon emissions, that over time, threaten to dramatically warm our friendly planet. The naysayers will be proven wrong, and where California has led once again the world will follow.

### Negative/Pessimistic view:

Inevitably higher prices for energy – unavoidable under cap-and-trade and the related bureaucratic burdens on business expansion further hobble the state's already-limping economy. The economy shrinks. Families leave. The state might reach its goal of returning to 1990s level carbon dioxide emissions by 2020, but only through a wholesale reversal of growth. (Even if California shut down every power plant and took every car off the road, global emissions are growing so fast that they'll rapidly make up the difference.)

Source

"Cap-and-trade is high-stakes bet on state's future," Redding Record Searchlight, October 23, 2011, p. A007.

### **IV. Available Studies**

- 1) EMC Research: <u>California Assembly Bill 32; Telephone Survey</u>, Likely November 2012 Voters, California Statewide; Prepared for AB 32 Implementation Group, April 2012
  - a. AB 32 Implementation Group; Alert: AB POLL KEY FINDINGS
  - AB 32 Implementation Group; News Release, April 26, 2912: Poll: Support for AB 32 Declines as Voter Balk at Implementation Costs (Californians Unwilling to Sacrifice Jobs, Pay Higher Energy Costs to Reduce Greenhouse Gas Emissions)
- Field Research Corporation: <u>The Field Poll</u>; Release #2440, Californians Strongly Support Actions to Combat Global Warming and Back the State's Greenhouse Gas Reduction Laws, Monday, February 25, 2013
- 3) The Brattle Group: <u>The Economic Impact of California Small Business</u>, Prepared for the Union of Concerned Scientists, December 2009
- 4) BCG Energy: Impact of AB 32 Summary of Key Findings, June 18, 2012
- California Environmental Protection Agency, Air Resources Board: <u>Updated Economic</u> <u>Analysis of California's Climate Change Scoping Plan</u>, Staff Report to the Air Resources Board, March 24, 2010
- 6) Public Policy Institute of California: <u>PPIC Statewide Survey</u>: Californians & the Environment, July 2012
- Fairbank, Maslin, Maullin, Metz & Associates: <u>San Diego County Climate Change</u> <u>Survey</u>: Key Countywide Survey Findings on San Diegans' Knowledge of and Attitudes Toward Climate Change, February 5, 2012

### **Section 9: Appendix**

- 8) 2011 Green e-Verification Report, Version 1.0, Center for Resource Solutions, January 31, 2013
- 9) Napa County Health and Human Services Agency Campus Project EIR IV. Setting, Impact and Mitigation Measures E. Greenhouse Gas Emissions; August 2012, pgs. 195–219

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10)Center for Climate and Energy Solutions: California Cap-and-Trade Program Summary, January 2013

## Demographic/Sizing Sources:

- 1) U.S. Census Bureau; American FactFinder: (2011 American Community Survey 1-Year Estimates)
  - a. DP02: Selected Social Characteristics in the United States
  - b. DP03: Selected Economic Characteristics
  - c. DP04: Selected Housing Characteristics
  - d. DP05: ACS Demographic and Housing Estimates
- 2) Golden State Population Trends, First Tuesday Journal Online, posted by ft Editorial Staff, January 9, 2012, in Charts. Demographics. Market Watch
- 3) Department of Finance; New Population Projections: California to Surpass 50 Million in 2049, January 31, 2013
- 4) California Population, sourced from the PPIC's Planning for a Better Future project

### V. Market Conditions

### Competing News/Events:

1/27/12: CA state regulators approved rules to cut greenhouse gas emissions from cars and put significantly more pollution-free vehicles on the road in coming years.

The requirements are expected to drive up car prices. (Air board staffers predict that the advanced technologies needed to meet the new standards will add \$1,900 to the price of a new car by 2025. But that might be offset by \$6K in estimated fuel savings over the life of the vehicle.)

Manufactures might have to sell clean cars at a loss to meet the requirements, and "buyers of conventional cars will pick of the remainder of the tab."

One of the most disputed elements of the rules centered on a clause that in the early years of the mandate gives credits to automakers who reduce the greenhouse gas emissions of their fleets more than required. Those credits would cut the number of electric, fuel cell and plug-in hybrids the companies had to offer in CA.

Source

Bettina Boxall, "State orders hike in super clean cars: Air board issues new rules to automakers as part of its effort to cut greenhouse gases," *Los Angeles Times,* January 28,2012, p. 1.

"The vehicles of today are not the vehicles of the 2017 timeframe," Steve Douglas of the Alliance of Automobile Manufacturers .

#### Dubbed the "Advanced Clean Car Program"

The favorable attitude, of auto manufacturers, marks a huge shift from reactions to previous CA air pollution mandates, and in part because of the high cost of oil.

#### Source

"No Smog: New Car Rules Shove State Toward New Clean-Air World," Los Angeles Daily News, January 28, 2012, p. 1.

The regulations would strengthen CA's 2009 greenhouse gas emissions standards, which are the toughest in the nation.

81% of Californians in a recent survey by the Consumer Federation of America supported required reductions in emissions, and 75% thought California should require automakers to build more zero-emission vehicles.

#### Source

Peter Fimrite, "Curbing state's Car Emissions; Air Board, with Industry's Support, to Vote on Sharp Cuts," The San Francisco Chronicle, January 27, 2012, p. 1.

Business groups are denouncing plan to use \$1B from auctioning credits, to help fill in \$9B hole in proposed budget, as a back-door tax increase.

The so called cap-and-trade system is a critical piece of AB 32, CA's landmark legislation aimed at cutting  $CO_2$  emissions to 1990 levels by 2020 and is modeled on a European program.

At issue is whether the money paid by polluters to buy credits is a fee or a tax.

Source

Marc Lifsher, "Business fumes over Brown plan: Governor intends to spend cap-and-trade revenue to help shrink the budget shortfall," Los Angeles Times, January 11, 2012, p. 1.

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## Appendix 4: California Climate Dividend Public Outreach Program Style Guide



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## Introducing the California Climate Dividend Public Outreach Program

This document provides brand guidance for a 2014-2015 strategic education and outreach plan in support of the State of California's Cap-and-Trade Program and the distribution of Green House Gas (GHG) Allowance Revenues. The California Public Utilities Commission (CPUC) in Decision (D.) 12-12-033 requires that education and outreach activities, for 2014 and beyond, seek to expand awareness about the purpose and value of GHG allowance revenue in order to achieve the goal of section 748.5b of the California Public Utilities Code of "maximum feasible public awareness of the crediting of greenhouse gas allowance revenues." While the education and outreach plan must strive to meet that broad objective, it should also set an intelligent balance between the costs involved with outreach and the fact that the associated communications budget will be deducted from the revenues earmarked for customers.

## Section 1: Brand Overview

Bit by bit, change by change, Californians are making a difference. Emission reductions are happening and it's reflected in California's carbon footprint. It's getting greener as the air is getting cleaner. We're helping Californians become informed and educated that climate change is being addressed and the air is getting cleaner. The California Climate Dividend (California Clean Air Credit\*) is a positive sign of cleaner air – and a confident step in the right direction. It's a fresh step forward.

The idea behind this creative concept is simple: associate the reduction in GHGs to individuals living in and enjoying California.

## Execution

This umbrella concept is executed visually using the symbol of a footprint. The stylized footprint, made from the shape of the state, is a symbol of the California Climate Dividend. It is integrated into imagery of people enjoying the California landscape. The tone of the copy is motivating and clearly and simply explains that the California Climate Dividend shows California's commitment to improving the air quality of the state for the enjoyment of all its residents.

<sup>1</sup>t was discovered during the May 2013 qualitative research that "consideration should be given to the use of the term 'dividend' in describing the credit, given its potential for misunderstanding and its association with investments (and the associated tax exposure, for those familiar with the term in the investment arena). If the name remains unchanged, explanatory text should make significant use of the term 'credit' to telegraph the customer benefit and minimize confusion." (Paul Peterson, King Brown Partners, "Climate Dividend Communications: Summary of Qualitative Research," June 2013)

In an effort to minimize this potential misunderstanding and to create stronger branding for the California Climate Dividend, a number of name options were presented during the research sessions. "California Clean Air Credit" was most preferred by respondents.

## Rationale

 Provide a positive approach with a solution-oriented focus
 Start with the simplest, most basic aspect of the story
 Encourage customers who want to know more to "self-serve"

## Why This Works

IT'S SIMPLE: Californians want straightforward and candid information about the California Clean Air Credit. They don't need or even want a lot of detail on cap and trade or revenue allocation. It's enough that it's a symbolic gesture that action is being taken. And customers are satisfied with minimal information.

IT'S POSITIVE: Californians agree with reducing greenhouse gas emissions and reacted favorably when it was referenced as context for the California Clean Air Credit. IT'S RELATABLE: The barefoot visual is a familiar part of life for Californians. Whether at the beach, in the backyard, or in the house, the climate allows for laid-back, sock-free days year-round.

IT'S BELIEVABLE: There's no reason to imply a broader purpose of the impact of the program (i.e., implying that it could serve as an incentive for all customers to be more green). Californians like that it stresses the improvements to benefit all Californians. IT'S REASSURING: Californians want reassurances about the source and the impact of the credit. (Revenue generated from the program is paid out to customers; it's not funded from a state budget nor a refund of overcharges; it can help offset any economic impact of the program on prices or rates.)

## Section 2: Content Guidelines

## Copy Tone:

- Positive and upbeat
- Conversational and friendly
  Clear and easy to understand

## Copy Overview

The descriptions that follow are intended to describe the California Climate Dividend in a brief, but clear manner. The California cap-and-trade program has many elements

to it, some of them quite technical. Various descriptions were tested to learn show what information (and in what form) helped customers best understand the program.

The options that follow were selected as best in terms of content, the order of that content, and the messaging approach:

## Short Description:

As a result of industries working to reduce their emissions, customers will receive a credit on their electricity bill called the California Climate Dividend. With the California Climate Dividend, we're helping our customers manage their energy costs while helping to make a cleaner California.

## Long Description:

The credit you receive on your energy bill is called the California Climate Dividend. This credit is part of California's cap-and-trade program, which motivates industries to meet strict environmental goals to reduce greenhouse gas (GHG) emissions. California has set an aggressive goal for reducing greenhouse gases like CO2 in our atmosphere. The California Climate Dividend provides an economic incentive for all energy consumers to leave behind a smaller carbon footprint.

## How to describe the California Climate Dividend

## SAY:

Explain "dividend" using basic benefits

- Helps clean the air
- Helps the environment
  Slows down climate change
  - Improves air quality
- •Makes for a cleaner California

Lead with credit: mention first, explain how much and when they'll receive it

- Equality: all households receive credit + same amount
  - Twice-yearly credit (amount, how often)

## DON'T SAY:

 Cap-and-trade: descriptions bring up questions and suspicions

 Tighter cap on industries: sounds like it might be hard on business

 Limits on the amount of GHGs: confusing, just say "reduced"

Businesses trading credits: brought to mind corruption and administrative costs

## Section 3: Graphic Elements

Typography

Headline Font

)ellyla - Estrya's Handwriting

Primary Font

## Helvetica

Regular

Helvetica Regular

# **Helvetica Bold**

Bold

## Photography

The images selected are used to capture a moment of California living and tell a story in one visual. These moments are outside, enjoying California. The composition of the shot includes residents of California – walking, hiking, running – in a state of motion and moving forward. The path they leave is marked with the California Climate Dividend footprints. The imagery is full of rich emotion and expansive sky/scenery. The images are chosen to capture the attention of the viewer and, combined with the footprints, draw them into the message.



Section 4: Logo Usage



Color Palette	#226BB0 PMS 660 C	
	C: 87 M: 58 K: 0 K: 0	

# Section 5: Sample Executions

Mass







Billboard



Transit Shelter



Bus Board





Window Cling

Online



Email Template





receiving the credit

We're taking steps to improve our air. You get the credit.

additional resources

Greenhouse gas emissions are threatening what we hore about California. So, we're doing sometimg aboutt. Step by gep, Neightborhood to neightborhood. Town to town. Togetter, we're creating a path to a cleaner California and helping to malea a cleaner California for all to enjoy, one step at a time. Q 0....



Website Landing

## Utility

Greenhouse gas emissions are threatening what we love about California So, we're dooing something about ft. Step by step. Neighborhood fown to town. This month you're receiving a credit on your monthly bill called the California Climate Dividend. It's as a result of Dividend. It's as a result of industries working to reduce their emissions. Together, we're creating a path to a cleaner California. And helping to make a cleaner California for all to enjoy, one step at a time. fresh Septenuard



FORNIA CLIMATE DIVIDEND Californians tore the outdoor file. But greenhouse gaps emissions threaten wat we how. As a result of industies a vorking to reque their emissions, you're receiving this caen air cert on your electric bit. We're helping you're receiving this caen air cert on your electric bit. We're helping to make a cearent chinne air of the elipsone step at a time. On Bill Message - Long Form We're taking steps to improve our air. You're getting the credit.

Resh Septemore

We're taking steps to improve our air. You're getting the credit.



On Bill Message - Short Form



On Bill Message - Short Form Vertical

Statement Stuffer Back

(End of Appendix 4)

Statement Stuffer Front

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Appendix 5: Creative Brief for the California Climate Dividend Awareness Campaign: "Footprint"

## **Creative Brief for the California Climate Dividend Awareness Campaign: "Footprint"**

## Background/Overview:

California energy customers know virtually nothing about the greenhouse gas cap-and-trade program, and even less of the California Climate Dividend.

These customers have a generally positive view toward environmental solutions. Climate change is a concern, and customers want to see something done to improve the situation. They have indicated a willingness—and even and expectation—to pay more for environmental solutions. Because so much of life in California is spent outdoors, they want their air to be cleaner and they want to know that change is happening.

However, Californians have a somewhat skeptical view of government and, similarly, are not always positive about their energy provider (being that it is regulated, limited choice). Additionally, California has been in a slow economic recovery and can be an expensive place to live. While the actual California Climate Dividend may provide customers additional cash in pocket, it could also signal an increase in costs.

The idea behind this creative concept is simple: associate the reduction in GHGs to individuals living in and enjoying California.

## **Objective:**

To inform and educate energy customers in California about the California Climate Dividend and help associate the reduction in GHGs to living in and enjoying California. Getting them educated, excited, and engaged in solutions that have a positive impact on climate change is a bonus. Informing them without alarming is essential.

## **Target Audience:**

Electricity customers in California: This will include every ethnicity, income level, age, language, lifestyle, and mind-set in the state. The targets are generally busy, distracted, unaware of context, and not paying a lot of attention to energy or their energy provider.

## What's the single most important thing we need this communication to say?

The California Climate Dividend is a positive sign that the state and its people are working towards a solution to climate change that will make a real impact on reducing GHGs without creating a burden on the people or businesses of California.

## What are the supporting rational and emotional reasons to believe and buy?

Greenhouse gases are rising rapidly. CO2 levels have reached a new and dangerous milestone of 400 ppm. This is the highest level seen in millions of years. And the rate of growth is increasing, reaching a tipping point that will be extremely hard to recover from. The climate is changing. Those changes impact everyone, everything.

California passed a law to address this problem. This program is a consequence of that legislation. Customers have overwhelmingly reacted in a positive way to understanding the Climate Dividend as an outcome of industries reducing GHGs.

## **Brand Personality:**

Approachable, honest, transparent, progressive

## **Communication Tone:**

The voice of the State of California: upbeat, positive, hopeful, inviting

## **Executional Mandatories:**

California Climate Dividend Logo

Name: California Climate Dividend

URL: FreshStepForward.com