

MEMORANDUM

TO: LGSEC CAP-AND-TRADE SUB GROUP

FROM: JENNY BERG

RE: 5-24-12 CARB PROCEEDING

DATE: May 25, 2012

Yesterday, I attended by telephone the CARB proceeding entitled “Public Consultation on Investment of Cap-and-Trade Auction Proceeds”. The event started with short opening remarks by Mary Nichols. Mary made the following points of interest:

1. the auction revenues at issue in the CARB proceeding are 10% of the overall revenues. These revenues are completely separate from the auction revenues that are involved in the CPUC proceeding. CARB will work with the Department of Finance to develop annual proposals for the expenditure of the funds. The funds will go through the regular legislative and budget process.
2. CARB's main focus is:
 - the most effective use of the funds for lasting and multiple benefits
 - use of the funds in furtherance of the goals of AB32
 - finding consensus and synergies among different proposals

While there were two separate panels, the first one was the most applicable to our interests. The topic was:

How California can effectively invest the auction funds to meet the goals of Assembly Bill 32 (AB 32) including support of long-term, transformative efforts to improve public health and develop a clean energy economy?

Of significance, *every single panelist mentioned the important role that local governments play in reaching AB 32 goals.* Many discussed the need for transportation infrastructure, integrated water management and the great potential benefits of local governments working with the state. The most articulate statement about the role of local governments came from Grant Davis, GM of the Sonoma County Water Agency. Tim sent around Grant’s talking points in an email

yesterday, but in case you did not see them, I have copied them below. Overall, I was very encouraged with the weight of testimony regarding the role of LGs in reaching AB 32 targets and achieving the other policy goals of CARB, which is what is necessary to get these funds allocated our way!

We have until **June 22nd** to submit our comments to CARB. I will have a draft to the group well in advance of the deadline. I think that our comments should reflect the excellent points raised by Grant.

GRANT DAVIS TALKING POINTS:

KEY MESSAGE: INCLUDE A LOCAL GOVERNMENT COMPONENT IN THE INVESTMENT PLAN.

<GENERAL COMMENTS>

The AB 32 program is a very important program that will help to reduce impacts to our communities and our ecosystem from the effects of climate change. Our agency and regional governments have been very supportive of the efforts by the state to implement this program.

We appreciate the opportunity today to weigh in on one element of the program, in particular the expenditure of funds from auction revenues.

As the board works towards a plan to invest these funds in various state programs, we would like the agency and the legislature to think about how regional and local government agencies can help to develop and implement projects – especially when you think about the energy, transportation, and conservation projects that we already have experience working on.

First and foremost, we believe that investments must support AB32 goals and reduce greenhouse gas emissions. We absolutely oppose any expenditure that would jeopardize the overall program. Therefore, we recommend the board develop strict guidelines for investments to assure that those investments will be consistent with the program and will reduce or sequester GHGs.

<CLEAN ENERGY AND ENERGY EFFICIENCY>

Local governments have an opportunity to increase clean energy generation and energy efficiency in California. SCWA, for example, has hydro, solar, landfill gas and and biodigester projects that we expect will make us a carbon-free water supplier by 2015. The County's PACE program has installed over 6 megawatts of solar and invested more than \$56 million in renewable power and energy efficiency retrofits.

We are looking at developing a Community Choice Aggregation program and a Sustainable Energy Utility that could substantially reduce CO2 emissions from energy use county-wide.

These programs are designed to be self financing but there is inherent risk and substantial startup costs that cannot be recovered from shrinking local tax revenue. Allocating carbon revenue to develop local programs that can be replicated statewide would leverage dollars and deliver results.

<ENERGY-WATER PROJECTS>

Projects that reduce energy used to pump and treat water and wastewater can have multiple benefits. Water efficiency is also energy efficiency that has additional valuable benefits.

For example, regional water reuse programs can reduce energy used to move water around the state and also reduce the impacts on the ecosystem by reducing water withdrawals and waste water discharges.

Realizing the carbon value of these projects together with the avoided costs for water and energy can make more projects economically feasible.

Multiple benefits include:

Reduced CO2 emissions

Reduced source water extractions

Reduced wastewater discharges

Reduced energy use

Increased water supply reliability

Economic stimulus.

<TRANSPORTATION>

As motor fuels become covered by the AB 32 program, the state and ARB should identify how to invest those funds in our transportation infrastructure. The state has huge needs related to road repair and transit, especially as we attempt to implement elements of SB 375.

At the local or regional level, implementing SB 375 will end up being one of the most important elements of the state's climate policy. Getting land use planning and road and transit infrastructure right will require a significant and sustained level of funding.

We would suggest that the funds from the auction revenues, especially those derived from motor fuels, should be targeted at addressing the many challenges of implementing SB 375, including improving our road and transit corridors in our existing developed areas.

<CONSERVATION>

State Conservancies and the Wildlife Conservation Board provide critical funding throughout the state to local governments to fund and implement projects that protect and enhance our natural resources. These same projects, modified slightly, can also significantly reduce emissions, or sequester GHGs.

From the Sierras and the Tahoe Basin, to our 1500 mile coastline, to our mountains and rivers in the LA and San Diego regions, these entities work with local governments and community groups to protect and enhance our natural resources. We think it would be important to engage these entities and have them fund local governments to develop and implement projects consistent with AB 32 that also help protect our critical resources.

This includes open space protection, investments in our working forests, river parkway development, wetland protection and development, and a number of other nature-based investments that lead to significant GHG benefits.

KEY MESSAGE: INCLUDE A LOCAL GOVERNMENT COMPONENT IN THE INVESTMENT PLAN.