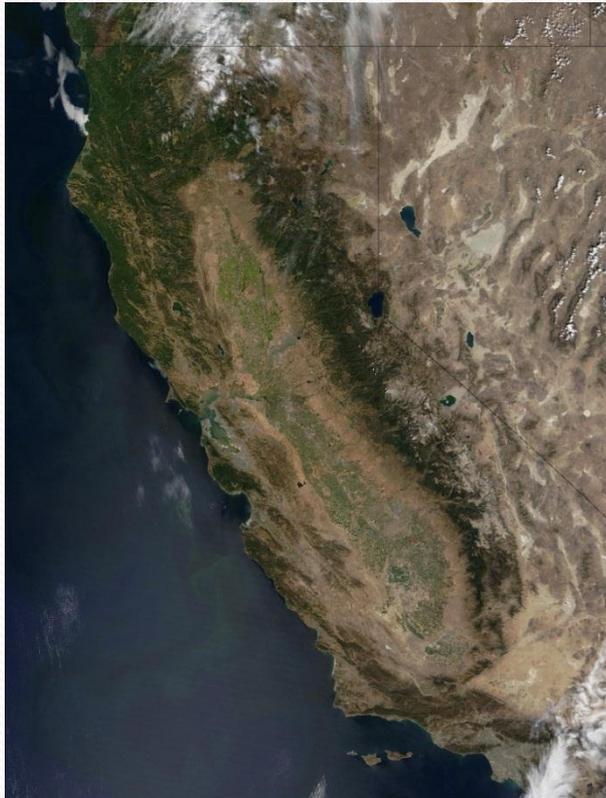


# Draft 3-Year Investment Plan for Cap-and-Trade Auction Proceeds



**Fiscal Years  
2013-14 through 2015-16**

**April 25, 2013**



**State of California**

# Department of Finance

**Karen Finn**

*Program Budget Manager for the  
Resources, Environment, Energy and Capital Outlay Unit*

# Investment Plan Fundamentals

- Draft Plan and process guided by legislation
- Applies to proceeds from auctions of *State* allowances under Cap-and-Trade
- Investments must “facilitate the achievement of reductions of greenhouse gas emissions”
- Plan recommends priority investments by sector – does not specify dollars – and does not guarantee funding

## Investment Plan Fundamentals (continued)

- Finance will submit Final Plan with Governor's revised budget to Legislature in May
- Legislature will appropriate proceeds via budget, consistent with final Investment Plan
- Draft plan is an Administration staff product – Governor can amend
- ARB's role is to provide consultation to Finance, plus hold workshops and this public hearing



# Multi-Agency Coordination



California Environmental Protection Agency  
**Air Resources Board**

*Strategic Growth Council*



 CALIFORNIA  
High-Speed Rail Authority



 **cdfa** CALIFORNIA DEPARTMENT OF  
FOOD & AGRICULTURE



# ARB Staff Presentation

# Background

# 3-Year Investment Plan Requirements

- Bills: SB 1018, AB 1532 (Perez), SB 535 (DeLeon)
- Finance is responsible for Plan, in consultation with ARB and other agencies
- Climate Action Team (CAT) participates
- Covers FY 2013-14 through FY 2015-16
- Includes GHG reduction goals, gap analysis, priority investments by sector
- Investments in disadvantaged communities

# Legislative Objectives

Facilitate GHG reductions and where feasible:

- Maximize economic, environmental and health benefits
- Create jobs
- Improve air quality
- Provide opportunities for businesses, public agencies, nonprofits
- Lessen the impacts of climate change
- Invest in disadvantaged communities

# Disadvantaged Communities

- CalEPA identified disadvantaged communities
- CalEnviroScreen tool updated indicators for:
  - Burden of pollution
  - Population characteristics
- SB 535 requires allocation of proceeds:
  - 25% to projects benefitting these communities
  - 10% to projects within these communities

## CalEnviroScreen 1.0 Results

■ Top 10% of ZIP Codes

# CalEPA Disadvantaged Communities for Investment of Auction Proceeds

(updated April 23, 2013)

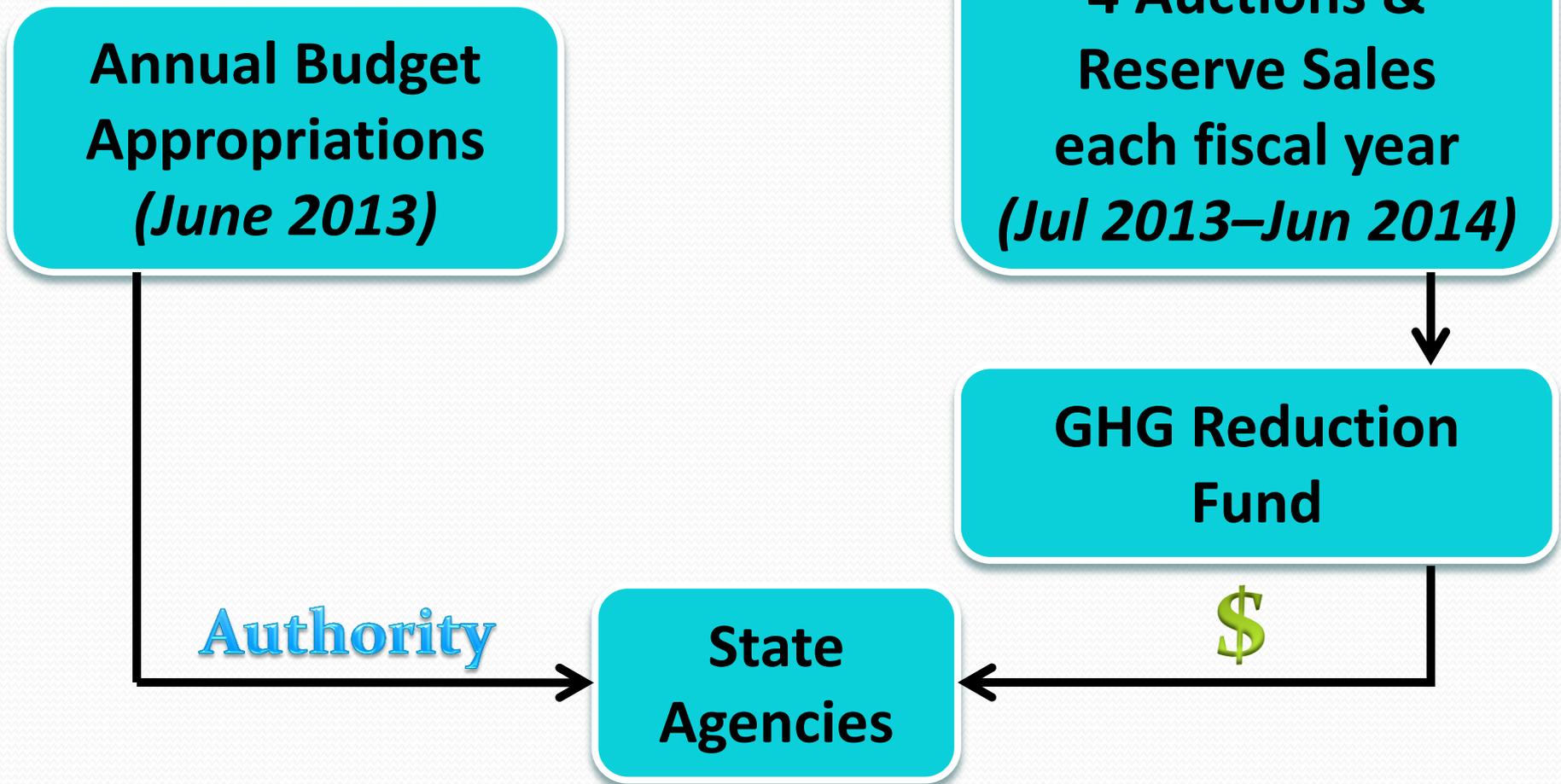
*SB 535  
(De León,  
Chapter 830)*

0 25 50 100 Miles

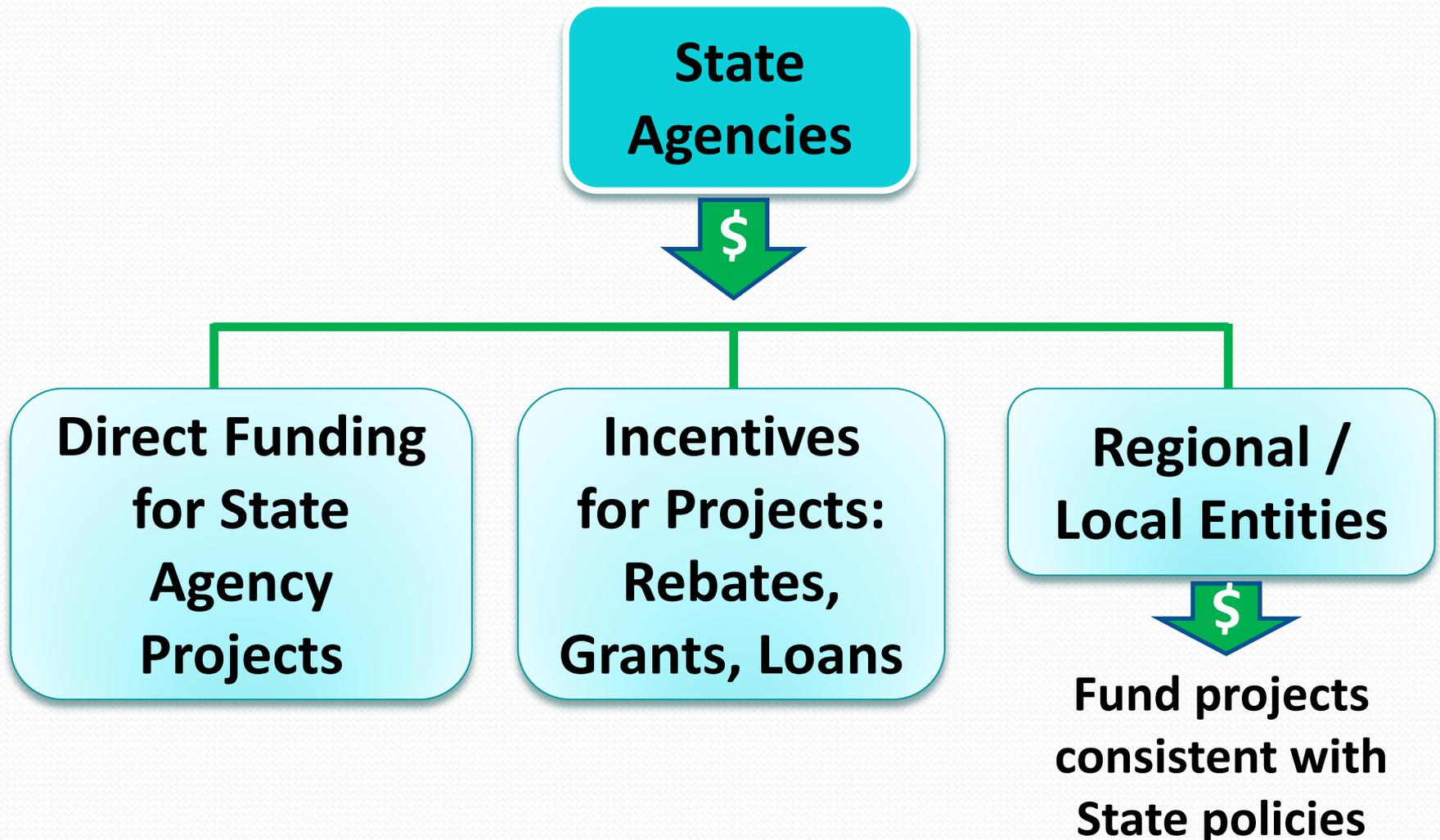
Basemap source: (c) 2010 Microsoft Corporation and its data suppliers

# Flow of Proceeds to State Agencies (*example*)

(consistent with investment plan)



# Expenditure of Auction Proceeds - *example*



# Draft Investment Plan

# Development of Draft Plan

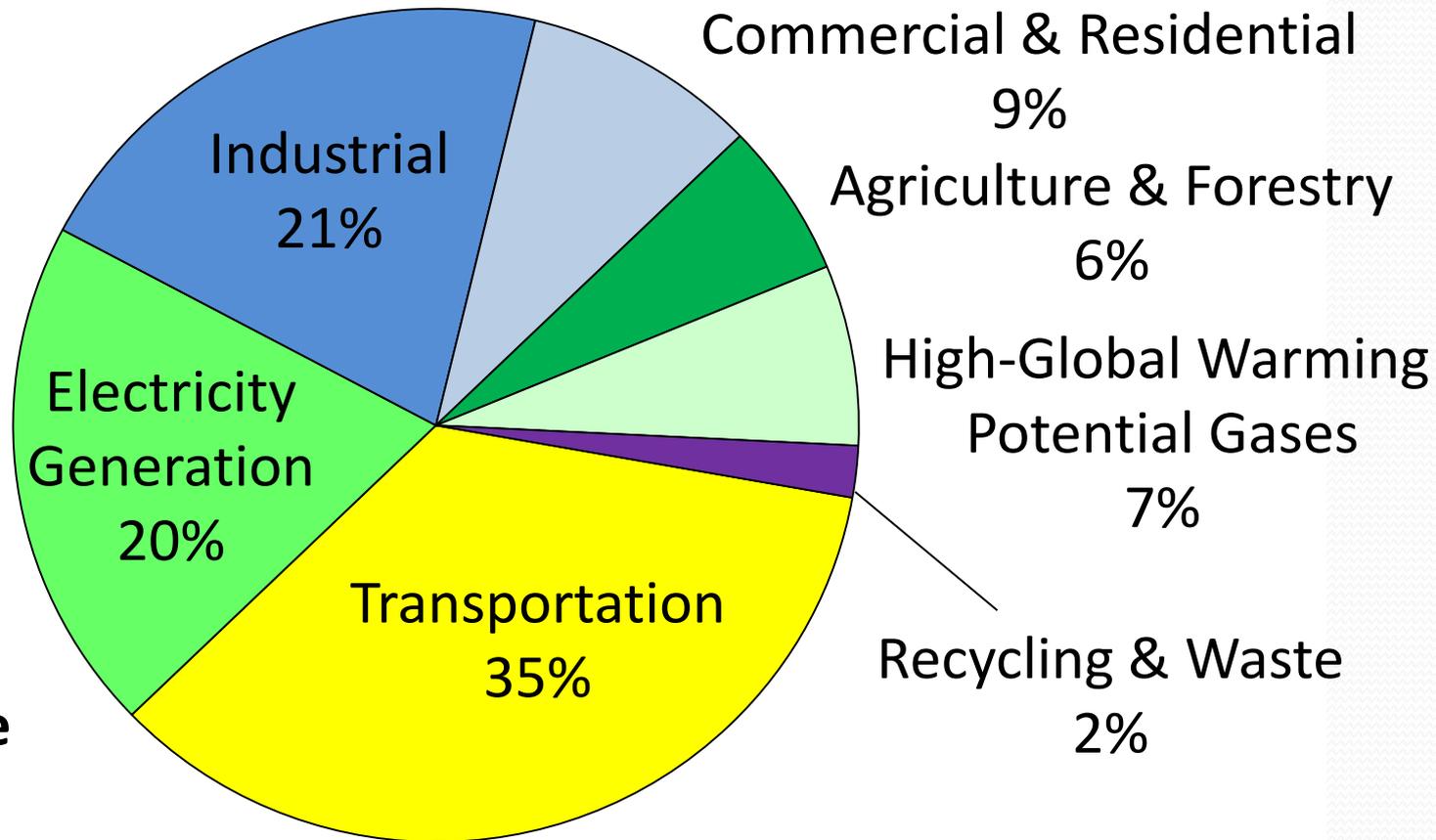
- Public consultation meeting (May 2012)
- Interagency work group (Jan 2013-current)
- Draft Concept Paper (Feb 2013)
- Three public workshops (Feb 2013)
  - 200+ speakers, 350+ written comments



# Greenhouse Gas Sources

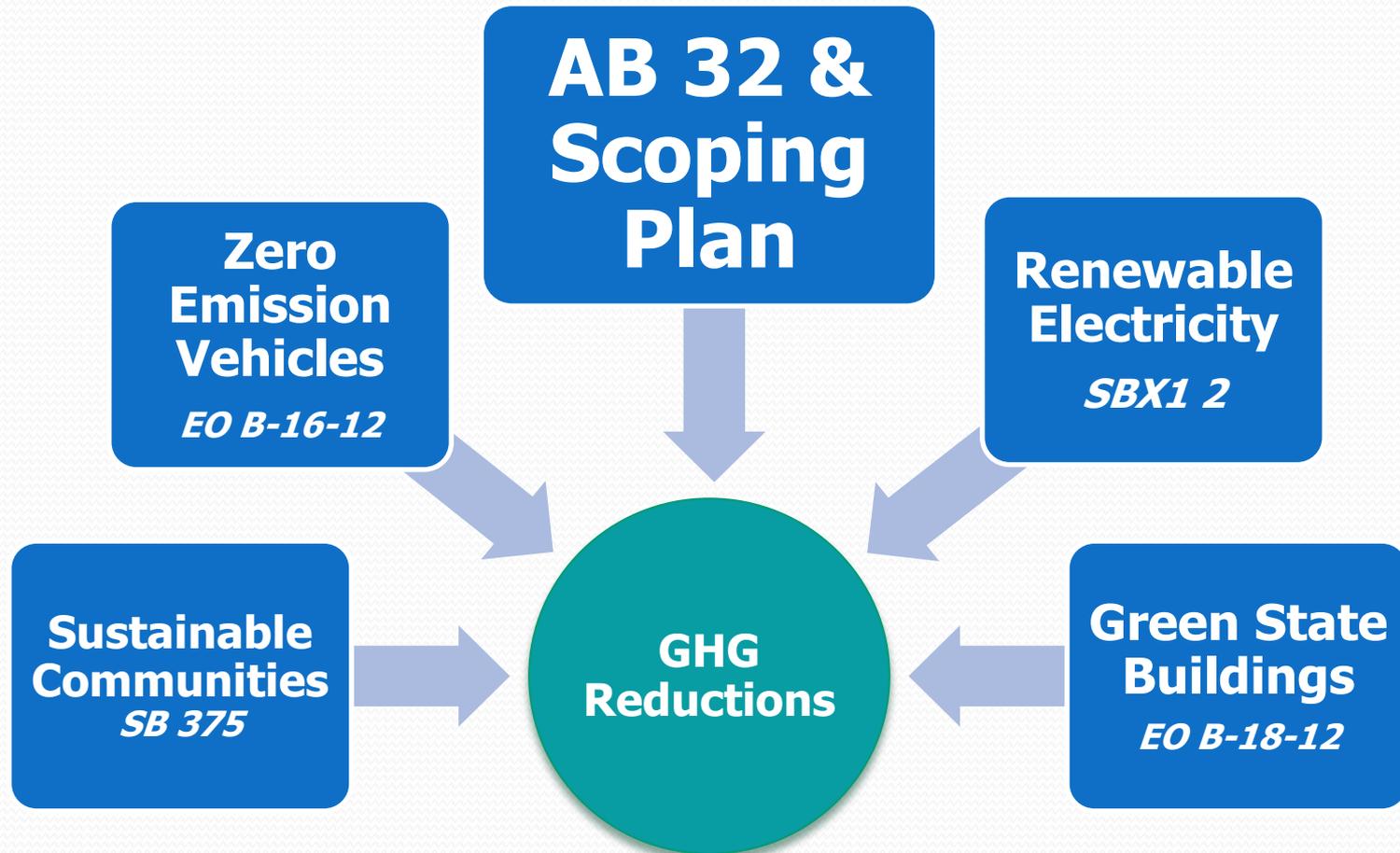
(emissions reflect benefits from existing programs)

**Year 2020**



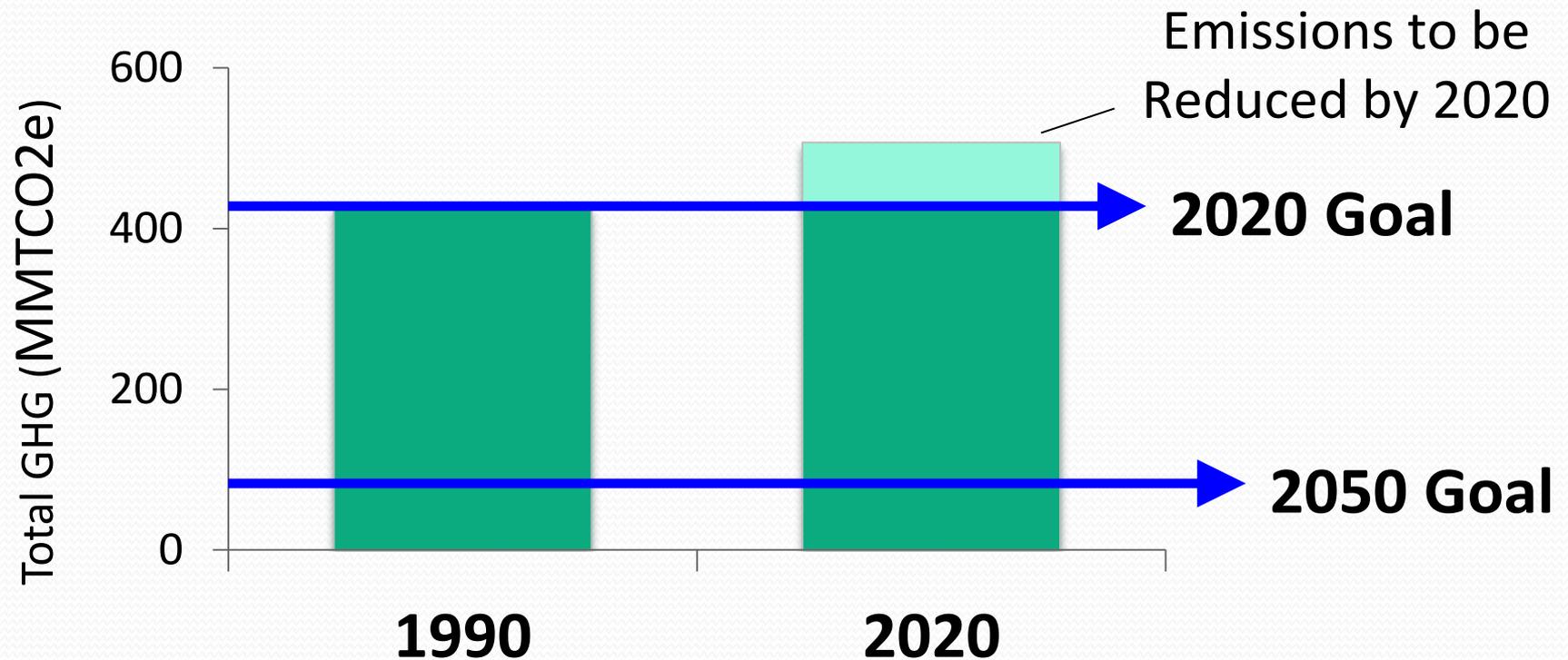
**427 MMTCO<sub>2</sub>e**

# Greenhouse Gas Reduction Initiatives (examples)



# Greenhouse Gas Reduction Goals

- By 2020 reduce GHG emissions to 1990 levels
- By 2050 reduce GHGs to 80% below 1990 levels



# Gap Analysis - Conclusions

- Near-term: full implementation of existing strategies can get us to the 2020 GHG reduction target
- Long-term: need significant additional strategies to meet post-2020 GHG goals

# Identifying Potential Investments

Legislative  
Direction

Administration  
Priorities

Public  
Comments

Near-term  
transition

Long-term  
transformation

# Governor's Proposed Budget *(Jan 2013)*



**Transportation**



**Electricity & Commercial/Residential Energy**



**Sustainable Agriculture Practices**



**Forest Management & Urban Forestry**

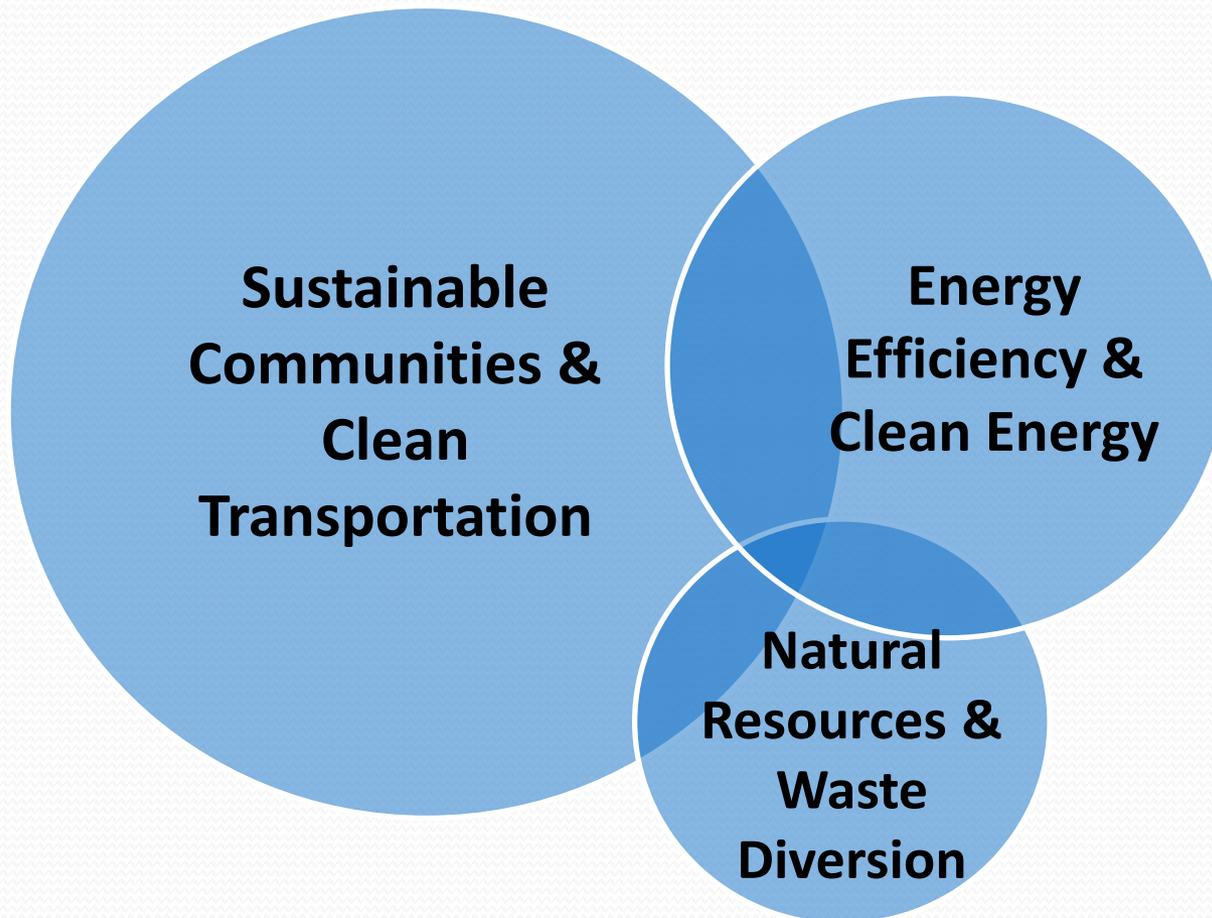


**Diversion of Organic Waste**

# Public Input – Priorities for Funding

- Public transit
- Active transportation (biking, walking)
- Clean vehicles
- Infill housing/transit-oriented development
- Low-income residential energy efficiency retrofits & clean energy
- Urban forestry
- Land conservation
- “Disadvantaged” communities

# Draft Recommendations for Priority Investments



# Potential Investments: Sustainable Communities & Transportation

- **Implement Sustainable Communities Strategies (SCS):**
  - **rail modernization / integration (including high speed rail)**
  - **public transit**
  - **infrastructure**
  - **livable communities & transit-oriented development**
  - **active transportation**
- **Develop and implement local SCS plans**
- **Low-carbon freight & zero-emission vehicles**
- **Fueling/charging infrastructure**

# Potential Investments: Energy Efficiency & Clean Energy

- **Residential:**
  - energy efficiency/clean energy financing
  - weatherization retrofits for low-income households
- **Public:**
  - water system and use efficiency
  - energy efficiency in water pumping/conveyance
  - biogas from wastewater treatment plants
- **Industrial/Agricultural:**
  - energy efficiency improvements

# Potential Investments:

## Natural Resources & Waste Diversion

- **Forests and Ecosystem Management:**
  - management, restoration & conservation easements
  - practices to sequester carbon and reduce black carbon (e.g., urban forestry, fire suppression)
- **Agricultural Management:**
  - conservation easements for agricultural land
  - practices to reduce GHG emissions (e.g., fertilizing materials, dairy digesters)
- **Waste Diversion:**
  - reduction, recycling and other diversion

# Co-Benefits of Recommended Investments

- Reduced air pollution and improved health
- Improved transportation mobility and safety
- Enhanced energy security
- Job creation
- Preservation of agricultural land
- Protection of natural resources
- Community investment
- Innovation

# Guiding Principles

<i>Investments</i>	<i>Administering agencies</i>
<b>Benefit &amp; Invest in Disadvantaged Communities</b>	
<b>Further purposes of AB 32</b>	<b>Maximize transparency</b>
<b>Focus on biggest GHG sectors</b>	<b>Provide public access</b>
<b>Get near-term reductions; support transformation</b>	<b>Track benefits/outcomes</b>
<b>Foster job creation and economic benefits</b>	<b>Do annual reports</b>
<b>Consider State's planning principles</b>	<b>Ensure accountability</b>

# Staff Recommendation

Approve Board Resolution 13-15, including:

- Findings on the requirement for investments to facilitate GHG emission reductions and further the regulatory purposes of AB 32
- Affirmation that the draft Investment Plan was developed in accordance with State law
- Support for funding of the identified priority programs and projects

# Climate Action Team Testimony

**Matt Rodriguez**

*Secretary for Environmental Protection  
& Chair of the Climate Action Team*

# Board Member Comments

# Public Comment