Development of 3-Year Investment Plan for Cap-and-Trade Auction Proceeds

Public Workshops:
Fresno
Sacramento
Los Angeles

February 2013

State of California
Overview
Sources of Greenhouse Gases that Contribute to Climate Change

Year 2009

- Transportation: 38%
- Electricity Generation: 23%
- Industrial: 18%
- Agriculture & Forestry: 7%
- High-Global Warming Potential Gases: 4%
- Recycling & Waste: 2%
- Commercial & Residential: 9%

Total: 457 MMTCO2e
Disadvantaged Communities for Investment of Auction Proceeds

SB 535
(De León, Chapter 830)
Clean Transportation:
Policy Overview
Clean Transportation:
Program Overview
Clean Transportation – Investment Priorities

Highlighted in the Governor’s proposed budget:

- Mass transit
- High speed rail
- Electrification of heavy duty and light duty vehicles
- Sustainable communities
- Electrification and energy projects that complement high speed rail
Clean Transportation - Coordination

- Business, Transportation & Housing Agency (BTH)
- CA Environmental Protection Agency (Cal/EPA)
- CA Department of Transportation (Caltrans)
- CA Air Resources Board (ARB)
- CA Energy Commission (CEC)
- High Speed Rail Authority (HSRA)
- Strategic Growth Council (SGC)
Moving People and Freight – Transforming Systems to Cut Greenhouse Gases
Investments in cleaner vehicles & equipment:

- Expand use of zero-emission passenger cars and buses
- Develop, demonstrate, and deploy zero/near-zero emission equipment to move freight (e.g., trucks, locomotives, cargo equipment)
- Build new infrastructure to support electrification, high-speed rail, and advanced technology vehicles
- Research/develop biofuels & other low-carbon fuels
Investments to improve system connectivity and efficiency:

- Provide coordinated ticketing & scheduling for transit
- Upgrade infrastructure to improve transit operations & reduce travel times
- Expand infrastructure to link systems
  - Transit (high-speed rail, other rail, bus)
  - Freight (trucks, ships, locomotives)
- Increase freight efficiency
Investments in planning & land use:

- Help locals develop implementable plans:
  - Connect transportation and land use
  - Support SB 375 goals

- Support biking and walking

- Promote infill and transit oriented development

- Improve transit access for disadvantaged communities
Co-Benefits of Transportation Investments

- Reduced air pollution and improved health, especially in disadvantaged communities
- Improved transportation mobility and safety, reduced traffic congestion
- Enhanced energy security
- Job creation
- Preservation of agricultural land and protection of natural resources
Energy Efficiency:
Policy and Program Overview
Opportunities to Cut Greenhouse Gases through Improved Energy Efficiency

Where are we losing energy?
Energy Efficiency and Conservation – Investment Priorities

Highlighted in the Governor’s proposed budget

- Residential sector
  - Property Assessed Clean Energy program (PACE)

- Water sector
  - Reduce energy and increase energy efficiency related to the supply, conveyance, treatment, and use of water
Residential Energy Improvements Benefit Climate Change

Benefits:
- Save energy and reduce greenhouse gas emissions
- Reduce utility bills (50-100% w/efficiency and solar)
- Grow local jobs and deliver economic benefits to communities

Need:
- Low interest financing for low monthly costs,
- Terms matched to duration of benefits (10-20 years)
- Ability to transfer repayment to successor owners.

Answer: PACE property assessments
Property Assessed Clean Energy (PACE) Financing

- Enables secure, low-rate, financing
- No upfront payments
- Financed with local bond assessment
- Paid back on property tax bill – automatic transfer to successor owners
- Five California communities introduced PACE
  - Yucaipa, Western Riverside COG, Palm Desert, Sonoma County, and Berkeley
But, PACE Derailed By Federal Housing Finance Agency in 2010

- FHFA (insures mortgages) advised mortgage lenders it would not insure any mortgage with PACE assessment
  - Alleged risk because PACE tax assessments are in “first position” for payments
- Attorney General Brown sued FHFA
  - Court directed FHFA to reconsider
- FHFA proposed guarantee/insurance on PACE loans
Potential Investments in Residential PACE Guarantee Fund

- Cap and Trade funds could be used for PACE loan insurance
- Each $1M of payment guarantee insurance supports $10M of energy improvements
- Portion to low income communities/multi-family housing
- Administered by State Controller or Treasurer, and/or CA Housing Finance Agency or Infrastructure Bank
Potential Investments in Water/Energy Use

- Already underway
  - Reduce per capita water use by 20 percent by 2020 (SBX7-7)
  - Appliance standards
  - Recycled water policy/rulemaking
  - Energy efficiency funding proceeding
Potential Investments in Water/Energy Use

- Potential for investment of cap and trade funding
  - Water system energy efficiency (e.g. pump upgrades, system audits, leak repair)
  - Water use efficiency measures (e.g. appliances, fixtures, landscaping)
Co-Benefits of Efficiency Gains in the Residential and Water Sectors

- Community investment
- Job creation
- Cleaner air and improved health
- System security and longevity
- Innovation
Public Comment
Wrap Up and Next Steps
Next Steps

- Early April – draft investment plan
- April 25-26 - ARB public hearing in Sacramento
- May - final investment plan to Legislature
- June - budget decisions for FY 2013-14
Staying in touch

Please submit any written comments by **March 8, 2013**

See the program website at:
http://www.arb.ca.gov/cc/capandtrade/auctionproceeds/auctionproceeds.htm

- Submit comments electronically
- See available documents and notices of meetings
- Subscribe to list serve