

REGIONAL WATER MANAGEMENT FOUNDATION

a subsidiary of Community Foundation Santa Cruz County

June 21, 2012

Mary D. Nichols, Chairman
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: AB 32 Cap and Trade Program Auction Proceeds Investment Plan

Dear Chair Nichols and members of the California Air Resources Board:

Thank you for hosting the public consultation on the investment of AB 32 cap and trade auction proceeds on May 24, 2012. Water related energy use in California consumes 19 percent of the state's electricity, 30 percent of its natural gas, and 88 billion gallons of diesel fuel every year.¹ It is logical to conclude that cap and trade auction revenues should flow to address this single largest consumer in the state. On behalf of the Santa Cruz Integrated Regional Water Management partner agencies, who include: the Cities of Watsonville and Santa Cruz; Central, Scotts Valley and Soquel Creek Water Districts; the County of Santa Cruz; and the Resource Conservation District of Santa Cruz County, we offer these ideas for how to address the two questions posed by the Board:

(1) How can California effectively invest the auction revenues to advance the goals of AB32 including long-term, transformative efforts to improve public health and develop a clean energy economy?

- a) In terms of water management there are many places that the state can invest to achieve transformative change:
 - Agricultural and urban water use efficiency programs
 - Infrastructure to reduce energy and water use for water and wastewater management. For example, energy efficient pumps, membranes and systems.
 - Low Impact Development (LID) techniques can be used to mitigate future flooding, benefit water quality, provide urban greening and provide relief from heat island effects. The state should continue to provide grants and technical support for LID at the local level.
 - The portfolio approach to Integrated Regional Water Management (IRWM) has been very successful. The scope of IRWM can be expanded to bring energy utilities and transportation managers into the conversation so that water, energy, and transportation/land use are considered within the same collaborative, stakeholder driven approach that includes a focus on GHG reductions. Cap and trade auction revenues can be made available to efforts to support regional priorities utilizing the IRWM process or a similar process.
- b) Engage the California State Coastal Conservancy and other state conservancies in identifying and funding open space, wetlands and forest acquisitions and restoration projects with a climate benefit. These projects could become part of a statewide climate change adaptation or mitigation strategy. The State Conservancies should participate more fully in the Integrated Regional Water Management Program in order to identify and also promote environmental projects with a climate benefit. An

¹ California Energy Commission, "California's Water-Energy Relationship," November 2005.

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example of this is the acquisition and restoration of coastal wetlands to provide a buffer against sea level rise, sequestration of carbon and a bank of biodiversity and habitat.

- c) Through the Department of Conservation, make funding available to Resource Conservation Districts, counties and others to a) accelerate adoption of sustainable agricultural practices, and b) facilitate economic valuation of ecosystem services. It is important to have a clear understanding of the economic value that functioning ecosystems contribute in order to assess impacts attributable to climate change, and to engage stakeholders in finding real solutions. For example, if agri-businesses do not value the economic benefit provided to them by natural pollinators, how can they be expected to engage in efforts to protect pollinators' habitat in the face of climate change? Transformative should mean moving to a system that is sustainable. Recognizing payments for ecosystem services is one way to achieve this.
- d) Empower local leadership by providing funding for local pilot programs that can be replicated. For example, the City of Watsonville and the Resource Conservation District of Santa Cruz County are collaborating on development of a program to identify local carbon offsets with multiple benefits (environment, jobs, public health, economy) for the voluntary carbon market. More seed funding and operating support is needed to implement innovative efforts like these at the local level. Buyers of credits have an interest in investing in the local economy; therefore, local agencies need to identify local carbon offset projects that are cost-effective and multi-benefit.

(2) What criteria should be prioritized in the plan for investment of auction funds and why?

- a) Coastal areas and the Bay-Delta should be a priority for investment because these will be most directly affected by sea level rise, storms and flooding. Coastal resources and infrastructure threatened by climate change include: transportation systems, agriculture, water and wastewater treatment, outfalls and pipelines, aquifers, electric utilities, fisheries and wetlands and many other human needs such as homes, schools and businesses. The state should make funds available through Integrated Regional Water Management for regions to prioritize addressing these vulnerabilities.
- b) Projects that demonstrate a collaborative approach of agencies, businesses, and stakeholders working together should be a priority.
- c) Project proponents showing early actions and/or a history of past performance should be priority.
- d) The water sector should be priority due to the potential to achieve multiple benefits with a single investment.

The Santa Cruz IRWM Steering Committee thanks you for the opportunity to provide comments on behalf of the Santa Cruz IRWM partner agencies. If you would like more information please contact Karen Christensen at (831) 464-2950 or kchristensen@rcdsantacruz.org.



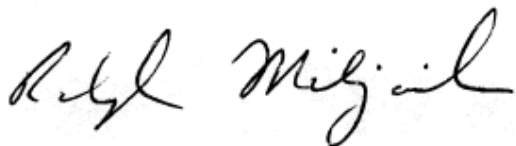
Karen Christensen
Executive Director
Resource Conservation District of Santa Cruz County

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Bill Kocher
Director
City of Santa Cruz Water Department



Ralph Miljanich
Board President
Regional Water Management Foundation



John Ricker
Water Resources Division Director
Santa Cruz County