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To: CSAC Agriculture & Natural Resources (ANR) Policy Committee
From: Karen Keene, CSAC Senior Legislative Representative
Cara Martinson, CSAC Associate Legislative Representative

RE: Cap and Trade Advocacy Efforts

Background. The California Global Warming Solutions Act of 2006 (AB 32) allows for the use of a market mechanism to help the State reach its greenhouse gas (GHG) emissions reduction goals as stated in AB 32. The first action of that market mechanism took place in November 2012 as the California Air Resources Board (CARB) held its first auction as part of its cap and trade program. California's cap and trade program works by setting a statewide cap or limit on GHG emissions from the state's largest polluters. The cap will decline slightly each year until California reaches its goal of achieving 1990 emissions levels by 2020. Entities that fall under the cap, such as oil refineries and large industrial facilities, have the flexibility to decide how to meet their overall reduction requirement by either reducing their own GHG emissions or purchasing "allowances" that allow them to emit a specific amount of GHG.

Cap and Trade Revenue. Cap and trade auctions began in November 2012 and take place quarterly with free allocations available for electric utilities with the goal of protecting ratepayers. To date, the four cap and trade auctions have generated roughly \$445.5 million in funds allowable to invest back into GHG reductions with one auction remaining for the year in November. Current law requires the State to invest cap and trade funds back into actions that make real and quantifiable GHG reductions. In May, the Administration released a 3-year investment plan for cap and trade auction revenues. However, the FY 13-14 budget ultimately allowed for a \$500 million loan from these funds to the State's General Fund. As a result, the first allocation of cap and trade funds will be decided next year.

Advocacy Efforts. Last year, CSAC co-sponsored two measures that would dedicate a portion of cap and trade revenues for local government GHG emission reduction programs. While both measures were held in the Assembly Appropriations Committee as two-year bills, negotiations as to how to best allocate cap and trade revenues will continue into this session. CSAC continues to be an active participant in the Local Government Cap and Trade Coalition which was the sponsor of AB 416, by Assembly Member Gordon. AB 416 would develop the Community Investment and Innovation Program, a new grant program that would be coordinated through CARB and the Strategic Growth Council, allowing local governments to competitively apply for grants to implement projects at the local and regional level that assist the State in reaching its AB 32 goals while also providing local co-benefits. The program would allow for a wide variety of GHG reducing projects including those related to renewable energy and energy efficiency, water, forestry, solid waste and other natural resource issues.

CSAC continues to support this effort and will engage in discussions through the legislative and budget processes to advance these objectives. In addition, CSAC is participating in a similar coalition related to transportation, advocating for cap and trade revenues derived from the cap on fuels to be dedicated back to investments in transportation.

Action Requested. To help advance our advocacy efforts, CSAC is seeking individual county support to help secure cap and trade funds for local projects. We anticipate moving a bill forward through the legislature and/or budget process this year. The attached sample resolution would enable CSAC to note your county’s support generally for these efforts and we encourage those counties interested in participating in this effort to adopt this resolution. We also encourage counties to modify the sample resolution and adapt as they see fit.

The following organizations were active participants in last year’s local government coalition:

CSAC	Central Coast Urban Forest Council
League of CA Cities	Sacramento Urban Forests Council
Local Government Commission	San Diego Regional Urban Forest Council
CA Special Districts Association	San Joaquin Valley Urban Forest Council
Urban Counties Caucus	Street Tree Seminar/Los Angeles-Orange
County of Santa Clara	County Urban Forests Council
County of Sonoma	Sonoma Co. Ag Preservation & Open Space
Monterey County	District
County of Santa Cruz	Land Trust of Santa Cruz County
County of Los Angeles	Marin Agricultural Land Trust
Sonoma County Water Agency	Peninsula Open Space Trust
Sonoma Regional Climate Protection	Orange County Sanitation District
Authority	Alameda Co Waste Management Authority
Ventura Resource Conservation	East Orange County Water District
District	Humboldt Bay Harbor, Recreation and
Bay Area Urban Forest Ecosystem	Conservation
Council	

Contact. For more information on this issue, please contact Cara Martinson, CSAC Associate Legislative Representative at 916-327-7500, ext. 504, or cmartinson@counties.org.