

MARIN CONSERVATION LEAGUE

Climate Action Working Group: August 18, 2017

Mt. Tam Conference Room, 175 N. Redwood Blvd., San Rafael

Present: Doug Wilson, Pam Reaves, Ed Mainland, Pat Nelson, Rick Fraitess, Vicki Nichols, Judy Ford, Jack Krystal, Heather Furmidge, Tamra Peters, Bill Carney, Nona Dennis, Tom Flynn, Sarah Loughran, Belle Cole, Judy Teichman.

Guest Speakers: Bob Archer (Economist, Citizens Climate Lobby), Gretchen Schubeck (Sustainability Coordinator, City of Novato), Cory Bytoff (Sustainability Coordinator, City of San Rafael), J.R. Killigrew (MCE Community Development Manager), , Henry Symons (field representative to Assemblyman Marc Levine).

Doug called the meeting to order at 9:00.

Brief Introductions

Agenda and Minutes

The agenda was approved by consensus.

The minutes were approved with corrections. M/S Tamra/Ed / Passed.

9:05 Discussion 1: Carbon Pricing (Bob Archer)

Doug introduced Bob Archer, noting that carbon pricing is a foundational concept for dealing with GHG emissions. Methods for dealing with GHG emissions include cap-and-trade and fee on carbon (the latter, heavy lifting politically). The objective of today's presentation is to get people familiar with the concepts and the regulatory framework needed to make them work.

Bob: Bob indicated that he would discuss the fee-and-dividend approach as illuminated by the British Columbia example, cap-and-trade with examples, and the relation between the two. Both fall under the carbon pricing umbrella. The two approaches have different advantages. A tax provides price certainty. Cap-and-trade, in theory, provides environmental certainty.

The underlying economic principle is externality. The cost of carbon is "externalized" when a source is permitted to emit carbon without cost to itself (the public pays). The objective is to put the cost of pollution back on the emitter and thereby create an incentive for the emitter to reduce its emissions.

The carbon fee approach has gained support among conservatives/small government advocates, including George Schultz and others in the Climate Leadership Council. They view it as the most effective way to send a price signal that will lead to a reduction in fossil fuel use. They advocate combining a gradually increasing carbon fee with carbon dividends for all Americans, a border carbon adjustment, and a significant regulatory rollback. The fee would start at \$15/ton of carbon

at the source of the emission. It would rise by \$10/yr. until an 80% reduction is achieved by 2050. Industries and utilities will have an incentive to reduce their costs via fuel substitution. They will pass on some of the cost of the carbon fee to consumers. Thus, the carbon fee would also impact the short-term behavior of consumers. Utilities would shift energy sources, and coal would disappear, then natural gas. In 3-6 years, there would be a shift to non fossil fuel sources. The fee would go to the Treasury Department.

Questions/Comments

Pam: Who decides who gets the fee? A. It's a line on IRS reporting.

Ed: CCL modeling projects that coal will be driven out. Wind, nuclear, and natural gas remain. The "all of the above" approach to fuel sources is opposed by environmentalists. A. Under the REMI model, the exact mix depends on how fast the costs of wind and solar drop. Ed: James Hanson is a partisan of nuclear.

Doug: There is equity in the proportionality of the fee in relation to the emissions.

Pam: How does nuclear fit in? A. It depends on costs and competing technologies.

Vicki: The REMI model was commissioned by CCL. Other models are available.

Q. Has there been any consideration of an adjustment for nuclear costs? A. This is an issue for the NRC.

Bill: Nuclear and large hydro use concrete, which makes them carbon-intensive. A. The price of carbon will go up, affecting the price of the energy source.

Jack: There is no certainty re how the fees are imposed. Does legislation include a method to measure results over time and make adjustments? A. Yes. Fees for coal, oil, and gas are readily measured. There is price certainty. Re emission reductions, there is lots of modeling and an opportunity to recalibrate every 5 years.

Bob (cont.) **Carbon Dividend:** There would be a carbon dividend of \$100 billion in the first 5 years. A dividend would go to every household, covering the costs of the bottom 70% (in terms of income) of households. The amount of the dividend considers the size of the household. There are alternative proposals for the money to be kept by government for use in relevant projects or to use the money to retire the debt. The fee and dividend would help to build a constituency. The system is attractive to conservatives because it does not increase the size of government.

Ed: This is a sop to conservatives. There is no evidence that it has gained traction with conservatives. A. Republicans have supported it, as well as economists and the media. Ed: Elite Republicans, not the grassroots. A. There is support in Congress in the Climate Solutions Caucus. There are now 52 members, including 26 Republicans. The "denial wall" is down.

Bill: Does a dividend to kids create an incentive to have more kids? A. There is a limit of 2 kids.

Belle: The distribution might be less than 100% to any of the proposed options. A. You have put your finger on the reality of what will happen in the Congressional process.

Tamra: The dividend is not proportional to income? A. It is per household.

Doug: How is it progressive? A. Lower-income households would benefit the most. Nona: It's a percentage issue.

Ed: It's not progressive. It diverts funds that could be directly invested in carbon reduction. There was a hybrid approach in SB 775. Even there, the dividend got priority. A. I disagree. Every dollar taken away from the dividend makes it less progressive. It's a political call. The dividend offsets disadvantages of the carbon fee.

Bob (cont.) **Border Adjustment:** There is a border adjustment to offset unfair competition from countries that don't impose costs on carbon. Exports to countries without carbon pricing would receive rebates for carbon taxes paid, and imports from such countries would pay fees based on the carbon content of their products. This fits into the WTO system and gains support from labor.

Tamra: Any products from Brazil? A. Take the top 8-10 products or 5% of all. If Brazil sets a price on carbon, they don't have to deal with it.

Judy F: Why is this acceptable under WTO? A. There is an environmental provision, GATT Article XX section VI.

Sarah: The tax is collected from companies but paid by us. How do you estimate that the tax will lead to a reduction in carbon? A. Industry doesn't pass on the entire cost; they eat some of it. This creates an incentive. There is a lot of consumer data; for example, the history of selecting different kinds of cars in relation to gas prices. If it's predictable, people react differently.

Bob (cont.) **The BC Example:** The Canadian province of British Columbia implemented a tax and rebate system in 2008 that was revenue-neutral and met carbon targets. The price of carbon started at \$10/ton and rose by \$5/yr. to \$30/ton. There was an agricultural exemption. It covered 70% of emissions. Carbon consumption declined more than in other parts of Canada, a 12% decline vs. 3% in the rest of Canada. This effect paused when the other provinces and the U.S. failed to implement a carbon tax. Subsequently, support for a carbon tax came from the center-right and all of the parties aligned. Polls showed support of more than 60%. Trudeau implemented a national carbon tax, starting a \$30/ton rising by \$5 per year to \$50/ton in 2022. The tax is a progressive tax.

Ed: The BC example is not strong. The reduction in carbon has a lot to do with the Bush recession. Performance was worse than other provinces, according to Sierra Club analysis. A. I disagree. The figures show a 12% reduction. Ed: The "all of Canada" figures were skewed by one province.

Belle: How have Canadians overcome tax resistance? A. They call it a "fee," meaning that the government does not keep it, and they emphasize the dividend.

Bob (cont.) **Cap and Trade:** The country decides where the coverage will be. The way that the country determines the cap and allowance are: 1) a forecast of business as usual, 2) set a declining cap (for example 1.5% reduction/yr.), 3) set an allowance for emissions that is allocated among covered industries by auction or for free.

How it works: Create a carbon market, with banking or borrowing of allowances to respond to unforeseen economic issues. The problem is that if lots of surplus allowances are dumped on the market, the price will go down—thus there is a “cap gap” in which economic certainty is lacking. Industry has made short-term changes. The European and New England markets have experienced a surplus of allowances. Also, emissions may decline for reasons other than cap-and-trade, such as an economic downturn, the unanticipated the impact of renewables. Complementary regulations create more room under the cap.

Nona: Why did the cap-and-trade market work for SOX and NOX emissions?

Pam: What is the figure for the percentage of emissions that are under regulation? A. In California, cap-and-trade covers 20% of emissions.

Bob (cont.): Cap-and-trade is the backup for 13 regulatory programs. Inherent problems include the complexity of the system. There are issues re verification and an administrative market with administrative discretion. Transparency and simplicity are major pluses. In Eastern Europe and in developing countries, corruption is a big factor. In California, under Brown, allowances for heavy, medium, and low emitters are all free under administrative discretion.

Kate: Is cap-and-trade a tax on sources? A. Cap-and-trade is not a tax on sources, but a paying for emissions. Kate: How are emissions measured? A. There is an army of verifiers.

Nona: There’s a distinction—source-based v. emissions-based.

Ed: According to Robert Freiling of the Sierra Club, cap-and-trade has minimal effect. Eric Brooks thinks it is hopelessly complex, a manipulable shell game. A. That’s a sign of the emphasis on fundraising for large projects and the importance of not conflating cap-and-trade and a carbon tax.

Nona: It’s source-based. Efficiency is prompted by the way costs are funneled through. A. Price is the incentive mechanism.

Cory: Does modeling re uptake affect the ability to increase renewables? Is the impact on energy sources more aggressive than our ability to increase renewables? A. Yes. Coal will crater as natural gas, wind, and solar come into play. A price of \$24 will have an impact on coal. There is an interaction of tax and regulation. As the tax works its way through the economy, there is a variation in the strength of the price signals. There is an area for complementary regulation where the price signal is not strong enough.

Nona: For example? A. Energy efficiency standards for buildings where the tax does not penetrate sufficiently. Also, fugitive emissions of natural gas.

Kate: How will the current administration’s rollbacks affect us in the future? A. Doug will email a CALmatters evaluation.

Ed suggested that Doug circulate his emailed matter re skepticism.

Bill requested the Part 3 discussion re politics and implementation.

10:13 Updates from Sustainability Coordinators

San Rafael (Cory Bytoff)

Cory reported that under San Rafael's 2009 Climate Action Plan (CAP) most programs are done or ongoing. It's time to refresh and update the plan. Cory is working with Kate Colin, Bill Carney and a broad swath of community members in a series of rolling meetings. They have engaged Christine O'Rourke to facilitate the process. San Rafael's update process will inform the CAP updates of 4 other cities.

The update process will entail general and deep dives into various subject areas. The first deep-dive subject area will be waste. The next subject area will be water. People engaged in the update process will hear presentations from subject matter experts and then draft measures. This will be followed by City Council study sessions with public input. In the spring of next year, they hope to come up with a revised plan geared to current targets.

Pam: Is this connected to the 2040 Plan update? A. The CAP seeks to be qualified as a reduction strategy by the BAAQMD. The district requires changes. The CAP will be incorporated in the General Plan, integrated throughout the document, not placed in a separate sustainability element.

Jack (to Bob): How will the tax fee be reimbursed. Experience with gaming and cigarette set-asides indicates they have not worked. A. (Doug): Let's address that in later follow-up with Bob Archer.

Sarah: What are the other 4 cities? A. Tiburon, Larkspur, Mill Valley, and the County.

Nona: San Rafael may be unique in the simultaneous update to the CAP and General Plan. MCL is interested in integrating land use and transportation.

Vicki: Sausalito will be integrating the CAP in its General Plan.

Novato (Gretchen Schubeck)

Gretchen Schubeck, Novato's new Sustainability Coordinator, outlined her preliminary assessment of her primary role, which includes implementing the City's Climate Action Plan adopted in 2009. She suggested that there is low-hanging fruit that is "ripe" and indicated that she will be working with Bob Brown to set priorities. She also plans to make city objectives more accessible on the city website. She will report back on her progress.

Bill: Christine O'Rourke's work for San Rafael was impressive. She addressed the footprint and the problem and came up with specific, reasoned recommendations. She was a consultant to the climate and energy partnership countywide, which provided access to everyone.

Bill suggested further that the low-hanging fruit has already been consumed. There are tough political choices and dollars involved in achieving a 40% reduction. There is no way to get to 2050 without a struggle.

10:28 MCE Update (J.R. Killigrew)

There are 9 new MCE communities in Contra Costa County, bringing the Contra Costa total to 14. The load and number of accounts will double in 1 year. MCE's purchasing power is increasing. The projection is the MCE Light Green will be 100% renewable by 2025. J.R. gave a shout-out to Sarah and Helene for their Deep Green campaign: 7 of 8 Marin municipalities are now Deep Green. Tiburon is still considering the issue. In the last year, Deep Green usage has increased by 200% if you include the full year. Deep Green is a wonderful product that does not include any RECs. Energy sources in California are wind and solar—no biomass currently, but they are working on it.

Ed: In Novato, there is less than 1% Deep Green, and 60% Light Green. What marketing can be done? A. The City opting in will increase other opt-ins significantly. The goal is 1 opt-up per day. College of Marin has opted up, as well as the water district.

Doug: What can citizens groups do? Is there another step? A. Leverage the municipal upgrades. Conduct targeted outreach. Customers can now opt-up on their phones in 30 seconds; they don't need to know their account number. Empower advocates. Reach out to big customers. J.R. will send a link.

Sarah: What are MCE's plans re expansion? A. MCE now operates in 4 counties: Marin, Napa, Contra Costa, and Solano. Solano is the defining line; MCE does not plan to expand farther. Its purpose is to empower communities and promote choice.

Pam: The Sonoma Power program provides incentives for EVs. A. MCE's original goal was to raise the renewable content of the energy mix and promote energy efficiency. Sonoma chose instead to focus on EVs. MCE is working on an overall EV strategy: incentives or infrastructure. Go to the business community to get charging infrastructure. If they also go Deep Green, that closes the loop. Transportation is the largest source of GHG emissions.

Kate: Are you working closely with TAM? A. Yes. There is an EV working group.

Jack: Has PG&E learned the lesson about production of renewables? A. Yes. They are decommissioning Diablo. And there is a state mandate.

AB 398 Update (Henry Symons)

The bill continues cap-and-trade through 2030. The bill received Republican support. Last time, the measure received 50% support; this time, 68% (two-thirds support is required). There were compromises involved: ABAG can't do its own pollution management system. This was the path to get Republican votes.

Nona: Does the legislation change funding to local agencies such as the Air District? A. There is lots of funding, but the district can't do its own program for capped sources. I don't know if BAAQMD funding was reduced.

Doug: AB 617 passed. It increases air pollution regulation and monitoring at the community level and requires investment in technology. There are subsidies for BACT (Best Available Control Technology).

Belle: There is a caucus in the Assembly re aggressive climate legislation. A. A large number of members are concerned. There is not a formal caucus. Belle: The 100% green bill? A. This was the big thing.

Ed: SB 100 calls for 100% renewables. Where does Assemblyman Levine stand on this? A. The bill will go through the Senate first, and then the Assembly.

Doug: There is a process for the group working successfully. Focus on the tasks that individuals can do. For example, attending PUC proceedings, advocating for Deep Green, and the kind of work the Resilient Neighborhoods does. Each person, find something personally satisfying. Bring these interests to the table. This is a conversation to be had.

Pam: When new people come in, facilitate their engagement and participation, particularly if they are not attached to an organization. Follow up.

Cory: Most people are engaged. Have them pair up.

Gretchen: It's useful to get a list of individuals and their affiliations.

Nona: Attending committee meetings is a learning opportunity. It's background for taking positions, editing the newsletter. A good education.

Belle: OFA Marin has issue groups—for example, a climate group—where they come up with opportunities to be engaged with projects. This provides support for people who come with good intentions and a lack of experience. On 9/7, there is a screening of the documentary Chasing Coral. A screening is a good way to bring people together.

Reports

Sustainable San Rafael (Bill)

At a future date, SSR will present a slide show on ocean acidification. SSR had its annual picnic where they honored Sarah and Helene.

Resilient Neighborhoods (Tamra)

There are groups organizing for workshops at the Mill Valley Public Library and the San Rafael Community Center. Funnel people to these groups.

Announcements

A new Master Class is starting up at the Environmental Forum of Marin.

College of Marin has a climate change science class on Tuesdays, 6:00 – 9:00.

The Environmental Forum is redoing a climate event on 10/24, with the objective of reaching people outside of the choir.

Rock the Congress, addressing the 2018 elections, will hold its first session on 9/9 at College of Marin.

Steve Bannon was just fired.

Meeting adjourned 11:10.

Minutes: PN.