

CITY OF OAKLAND

AGENDA REPORT

OFFICE

2007 MAY 22 3:30

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TO: Office of the City Administrator
ATTN: Deborah Edgerly
FROM: Public Works Agency
DATE: May 22, 2007

RE: **Resolution Adopting The Statement Of Principles Regarding The Chicago Climate Exchange (A Voluntary, Legally Binding Greenhouse Gas Emission Registry, Reduction and Trading System) As Drafted By Participating State And Local Government Members Of The Exchange**

SUMMARY

The attached resolution adopts the following Statement of Principles Regarding the Chicago Climate Exchange (CCX) by participating State and Local Government Members of the Exchange, included as Attachment A.

The Chicago Climate Exchange is North America's only greenhouse gas (GHG) emission registry, reduction and carbon trading system. Members make contractual commitments to reduce GHG emissions. Carbon trading is one of several tools in the effort to reduce greenhouse gas emissions by moving money from organizations that cannot reasonably reduce emissions to organizations that can use that same money to make deeper emissions cuts.

Oakland Staff worked with CCX members nationwide including, five other cities, two member states and one county government on the statement which will benefit the City of Oakland by:

1. Creating material to share with other organizations, the media and citizens in response to questions and criticisms about the City of Oakland's CCX membership goals.
2. Providing a formal policy document that member cities agree reflects their views.
3. Providing instructions for lobbyists to advocate for mandatory nationwide cap and trade.

The attached statement of principles will be useful because:

- It acknowledges that the CCX has opportunities for improvement and declares that we will be encouraging the CCX to refine their methods.
- We explain that we get benefits from CCX membership.
- We explain that our motives are to influence the national debate on cap and trade programs for emissions from a perspective of real-world experience.

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FISCAL IMPACT

The attached resolution does not have an immediate fiscal impact because the City is already a CCX member. Any expenses (data preparation, auditing, testing) associated with the participation in the Statement of Principles would be funded within the existing Public Works adopted budget. A fiscal impact may occur if the Federal government takes steps recommended in the Principles. Federal limits on greenhouse gas emissions, as recommended in the Principles could result in fiscal impacts for the City of Oakland. These impacts may include: costs for projects to reduce GHG emissions; costs to buy emissions credits to pay others who will reduce emissions on our behalf; savings derived from efficiencies created by GHG emissions reduction measures; or savings from a reduced need for projects to handle rising bay water levels, if GHG emissions reduction measures are successful.

BACKGROUND

The City of Oakland was the second member city in the CCX, after Chicago. CCX is a registry, reduction and carbon trading system for all six greenhouse gases. Public agency members of the CCX members are frequently asked about their reasons for participating in the Exchange. Inquiries often seem based on a presumption that government agencies view cap and trade programs as a primary method of mitigating the effects of climate change. To the contrary, government members of the Exchange generally agree that CCX membership alone is not sufficient to stop global warming. For simplicity, the attached Statement of Principles is made in the context that cap and trade is one of many necessary solutions and is limited to addressing CCX issues only.

In preparing the attached statement, staff at member cities agreed that it is most important for cities to do all they can to directly reduce emissions; and that cap and trade systems should be reserved for paying others to reduce emissions when we cannot reasonably do so ourselves. The goals of the Exchange as listed on their website¹ seem consistent with this view. They are to:

- Facilitate the transaction of greenhouse gas emissions allowance trading with price transparency, design excellence and environmental integrity.
- Build skills and institutions needed to cost-effectively manage greenhouse gas emissions.
- Facilitate capacity-building in public and private sector for greenhouse gas mitigation.
- Strengthen the intellectual framework required for cost effective and valid greenhouse gas reduction.

¹ Online at <http://www.chicagoclimatex.com/about/>

- Help inform the public debate on managing the risk of global climate change.

There is support for mandatory federal and state limits on global warming pollutants. California passed legislation AB32 aimed at reducing greenhouse gas emissions in California to 1990 levels by 2020, an approximate 25% reduction from 2007 emissions. In at least 11 other states, legislation is proposed to take steps to limit greenhouse gas emissions. On June 22, 2005, as part of the Energy Policy Act, the U.S. Senate passed a resolution stating: "It is the sense of the Senate that Congress should enact a comprehensive and effective national program of mandatory, market-based limits and incentives on emissions of greenhouse gases that slow, stop, and reverse the growth of such emissions..."

As of April 5, 2007 a total of 442 U.S. Mayors have signed the Climate Protection Agreement urging the federal government to enact policies and programs to meet or beat the target of reducing global warming pollution levels to 7% below 1990 levels by 2012, and to adopt legislation that includes: 1) clear timetables and emissions limits and 2) a flexible, market-based system of tradable allowance among emitting industries.²

For-profit companies including General Electric, Shell, and Wal-Mart are calling for mandatory GHG emissions limits. The Pew Center's Business Environmental Leadership Council representing \$2.4 trillion in investments acknowledges the Kyoto agreement³ as a first step.

KEY ISSUES AND IMPACTS

The International Panel on Climate Change met in February 2007 to stress that climate change has the potential to significantly raise sea levels, and that there is 90% certainty that climate change is attributable to greenhouse gas emissions created by human activity. If sea levels rise significantly, the City of Oakland will be trying to move storm water into a bay with higher average water levels, a potential cost impact upon the City.

GHG emissions that cause global warming are often the same gases and particulate matter that cause respiratory health problems for City residents, such as ozone, NO_x, SO_x, CO_x and lead⁴.

² Information about the resolution available online at <http://www.seattle.gov/mayor/climate/> and resolution available online at http://www.seattle.gov/mayor/climate/PDF/Resolution_FinalLanguage_06-13-05.pdf

³ The proposed Kyoto goal for the U.S. was 7% below 1990 levels by 2012, but the treaty was not ratified by Congress.

⁴ Dan Peterson, University of Cincinnati, "The Health Effects of Atmospheric Air Pollutants," available online at http://uceng.uc.edu/STEP/rct/engineering_seminars/July-8-Health-Effects-Air-Pollution-Dan-Peterson-EPA.ppt#5

The Statement of Principles builds on the fact that the CCX is the only real emissions trading group in North America. Staff of several local governments, in collaboration with City of Oakland staff, developed six principles that clarify why we participate in the Exchange. In brief, the principles state that:

- CCX is a laboratory, offering tangible opportunities to explore carbon marketing and unique methods of greenhouse gas reduction.
- CCX provides a platform for tracking, reporting and employing stringent third party verification to provide credible data for government agencies, NGOs and private businesses to plan and maintain successful carbon reduction programs.
- Participating in CCX provides members access to rule-making experiences and dialogue.
- CCX is a leader in creating practical solutions to greenhouse gas emissions issues. If the U.S. Congress passes legislation making cap and trade systems one of the mandatory solutions to global warming, CCX is optimally positioned to be of service.

Staff recommends that the City Council adopt the attached statement of principles to make an official statement. The principles will confirm the Council's position to Staff, the public and the media; they can be cited in the future; they can be used by the City's lobbyists; and they will be available via the web for people who inquire about Oakland's progress steps toward becoming a sustainable, model city.

SUSTAINABLE OPPORTUNITIES

Economic: The statement of principles can be used to advocate for mandatory federal cap and trade requirements that will add to Oakland's tools for mitigating climate change and minimizing the cost of responding to problems from rising water levels in the bay and health care costs from respiratory problems.

Environmental: The principles are one of the City's tools to help mitigate climate change.

Social Equity: If the Statement of Principles helps mitigate climate change, fewer City resources may be needed for responding to rising sea levels and health care. More money may be available for social programs.

DISABILITY AND SENIOR CITIZEN ACCESS

This report and resolution will not have a direct impact on disability and senior citizen access.

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Public Works Committee
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ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council adopt the attached resolution.

Respectfully submitted,



Raul Godinez, II, P.E.
Director, Public Works Agency

Reviewed by:
Bruce Saunders, Assistant Director
Department of Infrastructure and Operations

Prepared by:
Scott Wentworth, Energy Engineer
Department of Infrastructure and Operations

APPROVED AND FORWARDED TO THE
PUBLIC WORKS COMMITTEE:



Office of the City Administrator

Item: _____
Public Works Committee
May 22, 2007

Statement of Principles Regarding the Chicago Climate Exchange
By Participating State and Local Government Members of the Exchange

Government members of the Chicago Climate Exchange (CCX) recently worked together to discuss their reasons for participating in CCX and each of the member cities, counties and states contributed to the following Statement of Principles:

1. Membership in CCX enables jurisdictions to have independently verified emissions inventories. The CCX provides a platform for tracking, reporting and stringent third party verification of emissions that enables government to use credible data as we plan ahead.
2. CCX is a testing ground that offers unique and tangible opportunities to actively engage in carbon market development. CCX is exploring and validating carbon markets as a part of one solution to global warming. Meaningful aspects of this membership for local and regional jurisdictions include:
 - a. Preparing our data, and participating in detailed audits, testing our assumptions and giving each participant practical experience that informs our positions and actions.
 - b. Undertaking a legally binding contract to reduce greenhouse gas emissions within the member's jurisdiction.
 - c. Gaining experience with cap and trade systems, and offset markets.
3. Participating in CCX gives governments access to rule-making experiences that we will need to participate constructively in the national debate and legislative decisions on policies associated with cap and trade programs in the United States.
4. Membership in CCX is a significant opportunity for dialogue between public and private organizations in the development of global warming mitigation solutions.
5. CCX is one of the leaders in creating practical solutions to greenhouse gas emissions issues. We are eager to continue working with the CCX in an environment of continuous improvement which includes harmonizing accounting, rules and protocols across other greenhouse gas markets, registries, inventories and project based reductions.
6. We also advocate for a comprehensive, fair and effective national program of mandatory, market based limits and incentives on emissions of greenhouse gases that slow, stop and reverse the growth of such emissions to achieve a national climate stabilization goal with a range of 80% below current levels by 2050.

OAKLAND CITY COUNCIL

OFFICE OF THE CITY CLERK
OAKLAND, CALIFORNIA



City Attorney

RESOLUTION NO. _____ C.M.S.

2007 MAY 10 PM 3:30

Introduced by Councilmember _____

RESOLUTION ADOPTING THE STATEMENT OF PRINCIPLES REGARDING THE CHICAGO CLIMATE EXCHANGE (A VOLUNTARY, LEGALLY BINDING GREENHOUSE GAS EMISSION REGISTRY, REDUCTION AND TRADING SYSTEM) AS DRAFTED BY PARTICIPATING STATE AND LOCAL GOVERNMENT MEMBERS OF THE EXCHANGE

WHEREAS, on April 5, 2005, the Council unanimously adopted Chicago Climate Exchange Resolution No. 79135 C.M.S., making the City of Oakland the second city in the country (after Chicago) to join the Chicago Climate Exchange (CCX); and

WHEREAS, California passed AB32 requiring an approximately 25% reduction in carbon dioxide pollution produced within the state's borders by 2020 in order to bring emissions to 1990 levels and several other states are proposing legislation to take similar steps; and

WHEREAS, mandatory limits on Greenhouse gas (GHG) emissions, combined with cap and trade systems to efficiently fund aggressive emissions reductions, are necessary elements of a comprehensive set of national solutions to climate change; and

WHEREAS, there is support in the United States Congress and among large, for-profit businesses for mandatory federal limits on global warming pollutants; and

WHEREAS, the CCX is a real-world program, preparing to be of service if the federal laws mandate GHG emissions limits; now, therefore be it,

RESOLVED: That the City Council adopts the Statement of Principles Regarding the Chicago Climate Exchange by Participating State and Local Government Members of the Exchange, attached hereto and incorporated herein by reference.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 20____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, BRUNNER, CHANG, KERNIGHAN, NADEL, QUAN, REID, and PRESIDENT DE LA FUENTE

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____

LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California