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Agenda Date: 9/14/2010
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NAPA COUNTY BOARD OF SUPERVISORS
Board Agenda Letter

TO:	Board of Supervisors
FROM:	Lederer, Steven - Director Environmental Management
REPORT BY:	Steven Lederer, Director of Environmental Management - 253-4471
SUBJECT:	Resolution authorizing an application for a Sustainable Communities Planning Grant to establish the Napa County Carbon Reserve

RECOMMENDATION

Director of Environmental Management requests adoption of a resolution authorizing the following:

1. Support of an application to the State of California Strategic Growth Council (SGC) under the Sustainable Communities Planning Grant program in the amount of $458,000 for the period of October 1, 2010 to October 31, 2012 to obtain funding to establish the Napa County Carbon Reserve program to encourage reduction of energy use and the offset of greenhouse gas emissions; and
2. Execution of the necessary grant documents by the Director of Environmental Management.

EXECUTIVE SUMMARY

The State of California Strategic Growth Council (SGC), which represents the California Natural Resources Agency, California Environmental Protection Agency, California Health and Human Services Agency, and the Governor's Office of Planning and Research, has requested grant applications to be funded by The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84). The Department of Environmental Management has been working with Sustainable Napa County (SNC), a local non-profit, to determine methods of reducing county-wide energy use and offsetting greenhouse gas emissions. One avenue being investigated is development a local carbon offset program, or Carbon Reserve.

The primary goal of the grant program is to develop and implement plans that reduce greenhouse gas emissions. The intent of the program is to support collaboration between cities and/or counties and other nongovernmental entities to work with local governments to develop or implement regional plans. The grant funds will be used to develop a program whereby individuals and businesses can buy "carbon credits" to offset emissions from new or existing operations. The Carbon Reserve then uses the collected funds to implement projects which reduce carbon emissions somewhere else in the county, thus allowing the original buyer to become "carbon neutral".

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	Funds to develop the proposed program will be provided under the grant.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	Grant funds will help develop an important tool in reducing energy use and offsetting carbon emissions throughout the county..
Is the general fund affected?	Yes
Future fiscal impact:	Should the Carbon Reserve be successful, following the exhaustion of grant funds in 2012, the County will likely incur ongoing oversight costs, ensuring that SNC is continuing to operate the Carbon Reserve as needed. These oversight costs are expected to be minimal, and would be covered by existing appropriations for staff already performing Climate Change activities.
Consequences if not approved:	Grant funds will not be received to develop this program. While a Carbon Reserve is not required, doing so will likely not only help the county achieve achieve its climate change goals, but it will also help allow ongoing development of vineyards and other projects that might otherwise be stopped on CEQA grounds due to inability to mitigate new and expanded carbon emissions. If the Carbon Reserve does not move forward the County will need to find other methods to reduce carbon emissions and future development may be delayed.
Additional Information:	SNC will play the lead roll in developing the carbon reserve, with the County providing regulatory oversite and and quality assurance to ensure the project is developed in a transparent, efficient, and technically sound manner.

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

The Grant Program

The Sustainable Communities Grant and Incentive Program, funded by Proposition 84 (The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006) seeks to implement the vision of the Governor and Legislature to foster the development of sustainable communities throughout California. According to the grant application guidelines, the program was specifically designed to “help local governments meet the challenges of adopting land use plans and integrating strategies in order to transform communities and create long term prosperity." The stated goal of the program is to develop and implement plans that reduce greenhouse gas emissions and achieve the following objectives:

- Improve air and water quality;
- Promote public health;
- Promote equity;
- Increase housing affordability;
- Increase infill and compact development;
- Revitalize urban and community centers;
- Protect natural resources and agricultural lands;
- Reduce automobile usage and fuel consumption;
- Improve infrastructure systems;
- Promote water conservation;
- Promote energy efficiency and conservation; and
- Strengthen the economy.

There are three subprograms incorporated into this funding opportunity:

Focus Area #1	Local Sustainable Planning	Support the development and implementation of effective and/or innovative local plans that support the state's AB32 greenhouse gas emission reduction targets and implement SB375 while creating sustainable communities.
Focus Area #2	Regional SB375 Plus	Fund MPSs to collaborate with local governments to implement SB375 at the city or county level, within the context of a healthy environment, a healthy economy, and equitable access to regional resources and amenities.
Focus Area #3	Regional Planning Activities with Multiple Partners	Support collaboration between cities and/or counties, JPAs, COGs or RTPAs to work with local governments to develop or implement regional plans that meet the intent of SB732.

The Board is reminded that the Napa County Transportation and Planning Agency (NCTPA) is also submitting a grant proposal under this grant opportunity. The County has been active in supporting and preparing the NCTPA grant application. The goal of the NCTPA grant is to help facilitate the creation of a sub regional planning process towards our next RHNA cycle. That grant proposal is seeking $750,000. The funds would be used to facilitate a Napa County wide planning process which should result in a countywide growth strategy and affordable housing plan. In discussions with Strategic Growth Council (SGC) staff who are managing the grant application process, the submittal of an additional County grant application, which is supportive of the NCTPA proposal (as this is) would be considered favorably during the review process. As such these two applications are complementary, and not competitive, with each other.

The Proposed Grant Application

The proposed grant application in front of the Board today falls under the Focus Area #1 category. Examples of eligible proposals include innovative local activities that support the state's AB32 greenhouse gas emission reduction targets. Development of a local carbon off set program meets this criteria.

The Department of Environmental Management has been working with Sustainable Napa County (SNC), a local non-profit, to determine methods of reducing county-wide energy use and to offset production of greenhouse gases. One avenue being investigated is development a local carbon offset program, or the Napa County Carbon Reserve (NCCR).

A carbon reserve allows individuals and businesses to buy "carbon credits" to offset carbon emissions from new or existing operations. The reserve then uses the collected funds to implement projects which reduce carbon emissions somewhere else in the county, thus allowing the original buyer to become "carbon neutral". A local carbon offset program could be mutually advantageous to both County and property owners:

- The County benefits because we have an additional tool to reduce or at least maintain carbon emissions levels; and
- Property owners benefit because it allows them to move forward with projects that might otherwise be halted (most likely due to CEQA requirements) by an inability to mitigate significant new carbon emissions.

Typical projects that could be funded by the carbon reserve may include paying farmers to improve farming practices in existing vineyards, forest preservation or restoration, or development of alternative energy programs such as waste to energy projects.

Organizationally, the County will contract with SNC to develop the carbon reserve program. The County will retain sufficient funds to administer the grant, and provide oversight of the program to ensure the funds are spent properly and that the ultimate product is viable and useful and serves the needs of both County government and our citizens. This public/private partnership with a local non-profit could result in development of a very important tool to reduce carbon emissions while facilitating smart development at a very minor cost to the County.

Current and forthcoming developments related to greenhouse gas (GHG) emissions are converging to create both the urgent need and the opportune time to identify new methods in responding to climate change as well as augment and enhance the tools available to local communities to help reduce energy use/GHG emissions in order to respond to AB 32, SB 375, amendments to the California Environmental Quality Act (CEQA), Bay Area Air Quality Management District (BAAQMD) guidelines incorporating carbon thresholds, and aggressive energy savings goals set by the California Public Utilities Commission (CPUC). The tools now in play to foster greenhouse gas emissions reductions – education, ratepayer incentives, codes and standards, technical assistance -- may not be sufficient to create the degree of change needed to meet and exceed targets. In addition, the current economy is such that front-end costs hinder the utility customers' willingness to carry out GHG reduction activities beyond those required by law. This grant proposal offers a process to create a revenue stream to fund what might otherwise be short term financially infeasible projects.

The NCCR will develop a durable economic driver for voluntary emission reductions by establishing a local market for creation and capture of carbon credits. Locally developed carbon credits can be used to offset emissions generated by new development. The NCCR will develop specific and detailed standards to assure local carbon credits will qualify as legally sustainable mitigation under CEQA and Napa County will provide this tool to project applicants as a means of achieving that mitigation. This system will be designed to retire some credits and sell some for locally mandated greenhouse gas emission mitigations.. This innovative mechanism is a cost effective, locally relevant, and easily applied tool that can speed emissions reductions, accelerate energy conservation projects and promote protection of natural resources.

While carbon markets are a potentially valuable instrument to further GHG emission reductions, their use has been stymied by significant technical and perception problems. Specific hurdles to dynamic, local engagement in carbon markets that the NCCR will remove include:

- Scale and complexity of the current carbon markets, making them too confusing and expensive for local entities to want to participate;
- Lack of credibility for carbon credit systems; distant projects that may be difficult to verify are viewed with suspicion;
- Inadequate incentives for local entities to consider voluntary carbon sequestration projects and associated generation of credits;
- Lack of support for “public benefit” GHG emission reduction projects, especially due to municipal budget problems; and
- Lack of local relevance as many carbon markets are designed for large-scale industrial application or for large municipalities, not for small rural counties and municipalities.

A local program will resolve these problems by establishing a verifiable system for valuing and applying credits locally, and showing local impacts and results. It can transform the market by putting carbon credits (and their GHG reductions) to work locally. This proposal is to build a local carbon trading program, validate its effectiveness, and establish a template for ready adoption by other communities.

Napa County is the ideal location in which to pilot this concept because it can be a test case of manageable size; has global name recognition which will help promote successes; is home to industry sectors with demonstrated commitment to sustainability but who could use encouragement, value and incentive; has a solid population base of engaged citizens; and is led by governmental officials and staff who support the concept and who are open to providing the necessary policy framework to help drive demand.

Much of the investment in this pilot program is associated with the need for careful, well-documented investigation of types of credits, development of credible definitions and pricing structures and creation of clear, easy-to-use and yet dependable verification methods. In order for carbon credits to qualify as legally viable mitigation measures under CEQA, we will need to develop specific credible criteria. This analytical rigor is essential for credibility and achieving the goal of a locally relevant, transparent and user-friendly tool.

SUPPORTING DOCUMENTS

A . Sustainable Communities Grant Resolution

CEO Recommendation: Approve

Reviewed By: Helene Franchi